



40th ANNUAL REPORT 2014 - 15

Board of Directors

| | |
|-------------------------------|----------------------|
| Dr. Vinod D. Shah | Chairman Emeritus |
| Ashwin R. Nagarwadia | Director |
| Jawahar I. Mehta | Independent Director |
| Mahendra K. Ghelani | Independent Director |
| Nirmal V. Shah | Vice Chairman & MD |
| O. P. Malhotra | Independent Director |
| Perviz H. Dastur | Director |
| Dr. Prakash D. Trivedi | Independent Director |
| Sameer V. Shah | Chairman & MD |
| Mrs. Saraswati Sankar | Independent Director |
| Sushil U. Lakhani | Independent Director |

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Chief Financial Officer

Rashmi S. Gavli

Company Secretary

Varadvinayak V. Khambete

Statutory Auditors

Kastury & Talati
Chartered Accountants
Mumbai

Cost Auditor

R. S. Raghavan

Secretarial Auditor

Virendra Bhatt

Bankers

HDFC Bank Limited
Bank of India
Kotak Mahindra Bank

Registrar & Transfer Agents

TSR Darashaw Ltd.

Plants

Tarapur, Maharashtra
Nalagarh, Himachal Pradesh
Ranipet, Tamil Nadu
Dudhwada, Gujarat
Mahape, Navi Mumbai

Registered Office Address

Chembond Centre
EL71, MIDC Mahape
Navi Mumbai 400 710
Tel. : +91 22 3921 3000
Fax : +91 22 2768 1294

Dear Shareholder,

The year since the last Annual General Meeting has been a most eventful one for your Company and the country. It started with a new government beginning to implement a number of policy decisions and clearing some of the systemic impediments to the smooth functioning of the economy. The sharp fall in global oil prices coupled with reduction of the fiscal deficit resulted in a much healthier economy. The signs for the future indeed seem good.

Closer to home, as you probably know by now, your Company recently took a major decision to divest its stake in its joint venture, Henkel Chembond Surface Technologies Ltd. This decision, as you can imagine, was not an easy one to make especially since Your Company was founded with these pioneering metal treatment chemicals by Dr. Vinod D. Shah in the early seventies. Having achieved a top tier position in the country against global competition in its initial days itself, the joining of hands with Henkel, led to your Company's joint venture becoming the market leader in India.

Ultimately though, it was an objective decision to focus on businesses where your Company holds more management control and where growth and profits are not subjected to factors outside those of the economy. Your Company believes that joint ventures need to be run in the true spirit of partnership and is proud of the fact that even in joint ventures where it has a majority, decisions are taken by consensus and only in the best interests of the company.

Moving forward, Chembond will be investing in and focusing on growth via organic and inorganic means on its promising businesses of,

- Water treatment, where Chembond uniquely offers the entire spectrum of specialty chemicals, equipment systems and bio-remediation solutions for treatment of intake water, process water and waste water enabling recycling;
- Construction chemicals, where the range of superior performance products serve all stages and segments of the new construction and repair industry;
- Coatings where your Company is in the process of consolidating its high performance and industrial coatings businesses and developing greener, waterborne coatings;
- Animal Nutrition which has shown promising growth over the last few years based on the higher emphasis by farmers and industry on nutrition, bio security and introduction of modern practices;
- Protochem, a 100% subsidiary, which has introduced a wide range of maintenance and repair (MRO) products and which will continue to develop its portfolio of products for the defence industry.

Furthermore, your Company has ventured into two businesses, which are at their incubation stage:

- As has been mentioned last year, your Company started making a foray in the polymers domain. The plan is to develop unique bio-based polymers, which in addition to being renewable, offer performance characteristics better than conventional polymers. Chembond has been able to attract Dr. Prakash D. Trivedi to the Board of Directors to help guide these efforts. Dr. Trivedi is recognized as one of the foremost authorities and credited with pioneering work in this field. The results of his joining the Board are already being seen and Your Company can proudly state that it has filed its first patent this year.
- Your Company has just formed a new partnership with Calvatis GmbH in the form of a 55:45 joint venture called Chembond Calvatis Industrial Hygiene Systems Ltd. This joint venture would focus on serving the dairy, beverage, brewing and food processing industry with world-class specialty chemicals, services and equipment solutions for cleaning and hygiene management.

We remain focused on translating the potential of the Indian economy through our strong business portfolio and positioning into a profitable growth for all of you.

With warm regards,

Sameer V. Shah
Chairman and Managing Director

Nirmal V. Shah
Managing Director

6th July, 2015

Water Treatment

WITH YOU FOR YOUR WATER TREATMENT



| | 1 Raw Water Tank | 2 Clarifier | 3 Treated Water Tank | 4 Cooling Tower |
|----------|---|--|--|--|
| We Offer | <ul style="list-style-type: none"> • Coagulants | <ul style="list-style-type: none"> • Flocculants • Scraper • Media Filter | <ul style="list-style-type: none"> • Disinfectants | <ul style="list-style-type: none"> • Corrosion Inhibitors • Scale Inhibitors • Dispersants • Biocides • Chemical Dosing Skid • Blow down water filters |
| Purpose | Once Coagulants are added and mixed, heavy particulates in the water begin to stick together and form large and heavy floc. | Flocculants are added to accelerate setting of the flocs. These large particles are removed by scrapers. The water passes through media based filters for further turbidity reduction. | Chlorine Dioxide and/or Chlorine are added to treated water to control microbiological growth. Untreated water with microbial load can cause various problems. | Chemicals are added to control corrosion, scale, deposition and biological fouling in heat transfer equipment. Chemical dosing is automated by dosing skids. Blow down water is passed through filters for re-use in cooling towers. |

Your single-source water treatment solutions partner offering – chemicals, equipment, consumables, O&M services and bio-remediation solutions – all with the same Chembond commitment to customer satisfaction!

Our core business is related to water – an increasingly scarce and precious resource, essential for all human activity and for life itself. We serve the infrastructure, industrial, institutional, municipal, residential and commercial segments, offering chemical and equipment based solutions for treatment of raw water, cooling water, boiler water, process water, utility water, waste water and recycled water. Our forte is in developing practical and cost effective solutions for addressing water treatment issues, meeting water quality requirements and in identifying water saving opportunities.

TREATMENT NEEDS



| 5 Boiler | 6 Process water | 7 Effluent Tank | 8 Secondary Clarifier | 9 Treated Water Tank |
|--|---|---|---|--|
| <ul style="list-style-type: none"> • Sludge Conditioners • Oxygen Scavengers • Condensate Corrosion Control • DM Plant • Condensate Polisher | <ul style="list-style-type: none"> • DM Plant • UF Plant • RO Plant • RO Membrane treatment | <ul style="list-style-type: none"> • Coagulants • Microbial cultures • Aeration system | <ul style="list-style-type: none"> • Flocculants • Odor control Enzymes • Filtration Equipment | <ul style="list-style-type: none"> • Disinfectants |
| <p>Improved efficiency is achieved through use of corrosion and scale control chemicals in boilers. Feed water quality of high purity is obtained through DM plants. Condensate polishers enable water re-use.</p> | <p>Process side water generally needs to be of a particular quality. This quality is obtained by treating the water through equipment. RO membranes need to be clean and scale free to maintain throughput.</p> | <p>Microbial cultures help to break down complex chemical pollutants and reduce pollution load. Aeration is very important to provide oxygen for break down activity. Coagulants help form large flocs.</p> | <p>Foul odor is an often neglected problem in ETP's. Enzymes are safe to use odor control products. Flocculants accelerate settlement of flocs and their transfer to sludge tank. Filters further reduce turbidity.</p> | <p>Chlorine Dioxide and/or chlorine are added to treated water to control microbiological growth. Untreated water with microbial load can cause various problem.</p> |



Antispumin



Mekor



KemBac



KemNutrient

Construction Chemicals

Construction chemicals are used by the construction and civil repair industry. These chemicals help enhance concrete strength and quality, provide water-tightness and protect concrete structures from atmospheric degradation.

Our range of admixtures, sealants, waterproofing systems, repair mortars and systems, tile fixing adhesives, tile joint fillers, floor hardeners and cement based and epoxy grouts are used by construction companies, ready-mix concrete manufacturers, civil contractors and repair and waterproofing applicators. These products find application in infrastructure projects, industrial construction, residential and commercial construction.

In the last year we introduced new products like epoxy and PU based crack injection systems, PU sealants and liquid applied water proofing membranes.



The products are sold directly to large customers and through a channel of dealers and distributors across many parts of the country. Our products are also available online on our e-store www.chembondindia.in



Protochem



Protochem Industries offers a comprehensive line of maintenance, repair, and overhaul (MRO) products to industries like transportation, power, water treatment, mining, railways, marine, defence, petroleum refineries, engineering and steel. As your trusted source for the MRO and other speciality products like industrial lubes, speciality greases, heat treatment salts, and fluids, aerosol paints, etc., you can count on Protochem to provide you with quality and value. Protochem’s scope of services goes far beyond just the supply of product to also include the service to help you achieve your performance and sustainability goals.



Today **Protochem** continues tradition - a manufacturer of leading edge, high quality and affordable products backed up with expert technical service with a product range that includes speciality chemicals & lubricants such as corrosion inhibitors, heat treatment chemicals, quenching fluids, aerosol & non aerosol MRO (Maintenance Repair & Overhaul) products.



| Heat Treatment | Defence | MRO |
|--|---|---|
| <ul style="list-style-type: none"> • Quenching Solutions • Descaling Chemicals • Heat Treatment Salts • Cleaners | <ul style="list-style-type: none"> • Corrosion Inhibitors • Metal Preservatives • Lubricants • Gun Cleaning Oils • Antifreeze Formulations • Hydraulic Oils | <ul style="list-style-type: none"> • Solvent Cleaner • Electrical Contact Cleaner • Silicon Mold Release • Spray Paint • Chain Lubricants • Anti-Weld Spatter |

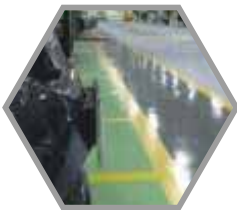
Coatings



High Performance Coatings

Coatings produce an aesthetically pleasing, chemical resistant and wear resistant barrier that protects substrates. Steel and concrete structures, floors, and plant equipment are expensive to replace or maintain. Chemical attack and mechanical wear and tear on unprotected surfaces can also lead to an unsafe work environment.

Chembond designs and recommends coating systems to suit industrial environments. A wide range of products such as Surface Tolerant Coatings, Food Grade Coatings, Anti-Carbonation Coatings, Elastomeric Coatings, Electrostatic Dissipation Floor Coatings, Chemical Resistance Flooring, Anti-fungal and Anti-bacterial Wall Coating, etc. are available to cater to industrial as well as commercial sectors.



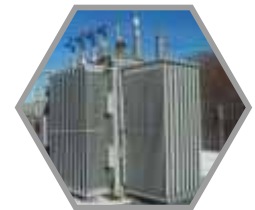
Car Park Flooring



Structural Pipe Coating



Epoxy Flooring



Transformer Coating



Heat Resistant Coating



Passive Fire Protection Coating



Decorative Flooring



ESD Flooring



Industrial Coatings

Chembond's Industrial Coatings offer the benefit of our experience to add value to our customers' processes and products. The industry's need is for coatings that offer performance along with value and environmental & safety compliances. One of the focus areas is development of waterborne coatings, with co-solvent percentage variable from 15 percent to the new generation coatings where Volatile Organic Compounds (VOC's) are near zero.



Containers



Building Equipments



Furniture



Machine & Tools



Agriculture



White Goods



Transport



Industrial Equipments

KemGreen Eco-friendly Water Based Industrial Coatings -



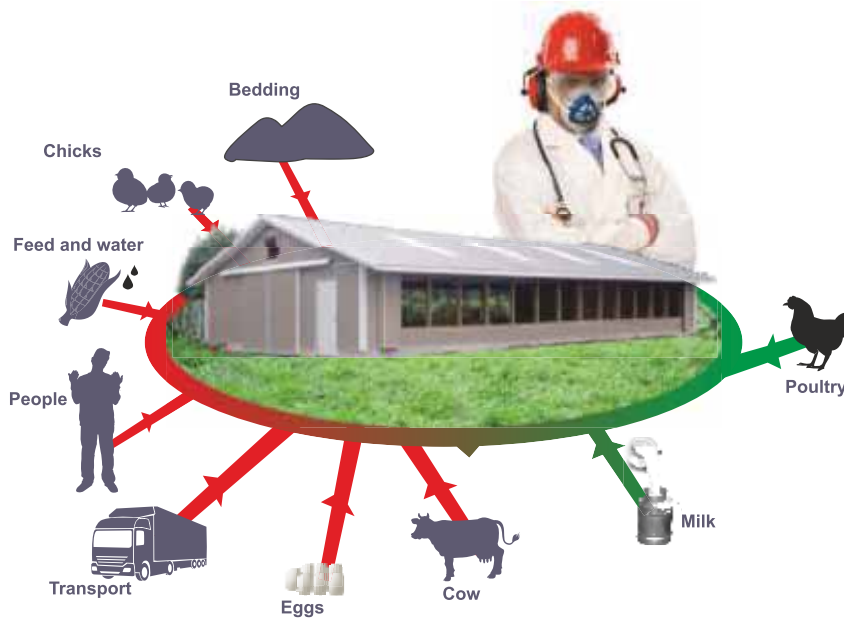
KemGreen series products are for Direct to Metal (DTM) application in Automotive and General Industries. These are water-based products and compatible with various substrates like cast iron, alloys, steel, aluminum, plastics and also rubber parts.

'Monocoat Aqua PE', water based Peel-able Coating with a very low PE content of co-solvent. The product has excellent resistance to water, solvents especially in transit conditions.

Animal Nutrition



Chembond manufactures and markets a unique range of products to keep dairy livestock and poultry healthy and productive. Our continuous research and development, a young dynamic work force, competent technical support, nationwide network of ISO and FDA certified plants, and innovative, value delivering products have helped make Chembond a fast growing company in the industry



Biosecurity

Biosecurity is the prevention and control of the outbreak of disease and pathogens in farms. Chembond's products help achieve this by two ways - Disinfection and Water Treatment. Disinfection comprises regular aerial and surface disinfection, fogging, foot dips, restriction of vehicles & visitors etc. A range of products under the brand name KemRaksha offer such solutions. Meanwhile, unique products like BromoGrane are added to the water fed to the farm animals to further ensure no contamination takes place via water sources.

Prokel Selenio 10,000
Organic selenium 10,000 ppm

1st TIME IN INDIA
Be prepared to the challenges to come...

BENEFITS

- Enhances immune response
- Better mineral transfer to egg & embryo
- Better percentage of production
- Improves gain in weight
- Improves feed conversion ratio
- Improves egg production

A highly bioactive vitamin D₃

Alpha D₃

10 times more bioactive than normal vitamin D₃ feed supplement
Alpha vitamin D₃ completes the balance of even high body weight

Vitamins & Minerals

Chembond manufactures a range of vitamins and minerals under the brand name *Previte* for supplementing dairy animal & poultry diet to improve milk production, egg shell quality, reduce breakage & improve overall performance of the animal. Vitamin supplements also include *Alpha D3* which is available for both water & feed supplementation. Mineral supplement include *Prokel Selenio 10,000 ppm* which is an organic selenium. Prokel Selenio is added in diet of both dairy & poultry to improve reproductive performance & immunity of the animal.

Enzimix Poszyme

Releases Nutrients

- Reduces anti-nutritional factors in feed
- Breaks down NSP cell wall
- Releases nutrients for digestion
- Increases metabolizable energy
- Complements endogenous enzyme
- Increases nutrient digestibility and gut health

Enzymes

Enzymes work as catalysts. They help in improving digestibility of feed ingredients to make them available to the birds thus reducing pollution, wastage, and improving hygiene. Products include *Enzimix*, a complex feed enzyme which causes digestion on non starch polysaccharides resulting in higher nutrient availability to the animal. *Poszyme*, unique yeast phytase, improves utilization of bound phosphorus & vital minerals.

Polymers

Kemylon

Novel bio-based polyamides

The Kemylon polyamides are produced using specialty monomers based on renewable building blocks rather than the conventional petroleum based monomers. These are gaining interest because they offer higher melting temperatures, fast crystallization rates, lower moisture uptake, and good mechanical properties and chemical resistance. The Kemylon nylon resins find use in an array of engineering plastics, medical products, among other applications.

Kemcryl

Acrylic emulsions

Chembond manufactures a range of acrylic emulsions for specialty applications. Kemcryl resins find use in a range of waterborne products including direct to metal (DTM) coatings.

KEY PRODUCTS

- Bio-Polyamides
- Acrylic Emulsions
- Green Plasticizers
- Compatibilizers
- Plastic Additives



Biotechnology

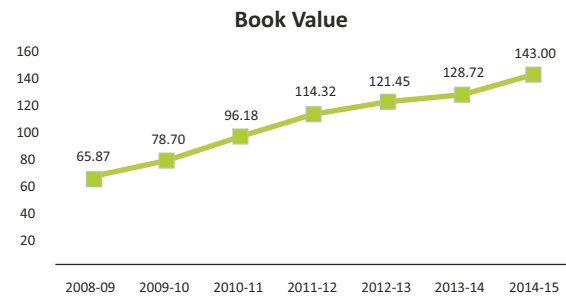
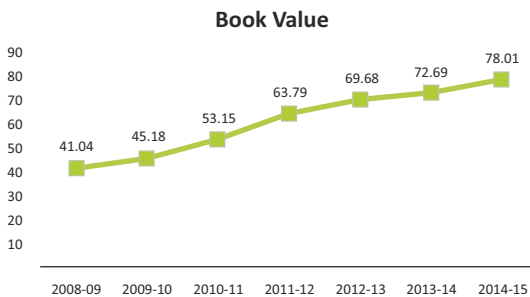
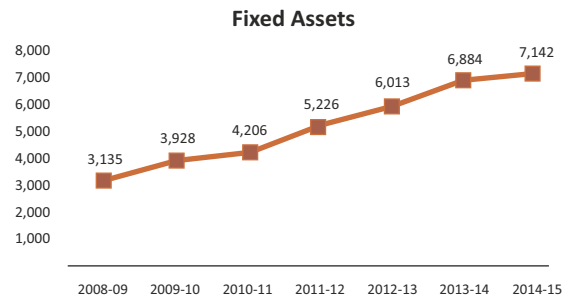
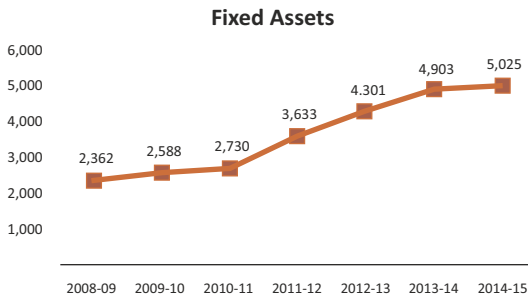
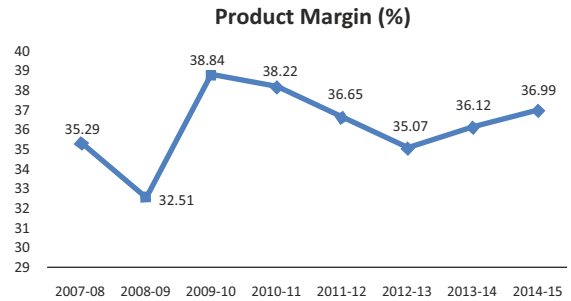
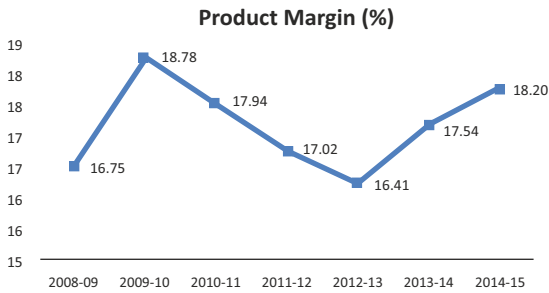
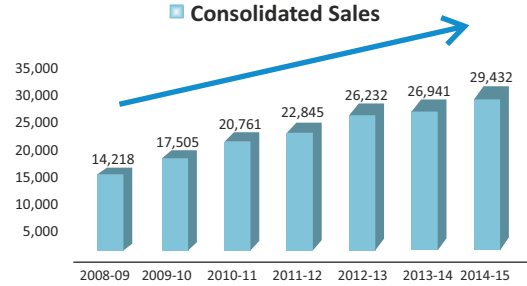
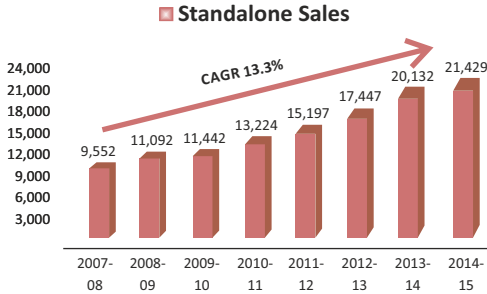
Chembond manufactures enzymes under the NoriZyme brand and NoriPro probiotics for a wide range of applications that add value to our customers' operations and enhance the well being. Our technical experts can develop a range of enzyme and downstream solutions for virtually any application where the catalytic power of enzymes can be used.

KEY APPLICATIONS

- Fruit Juice Extraction
- Oil Extraction
- Nutrition
- Alcohol & Win Production
- Pharmaceuticals
- Baking



Highlights



Management Discussion and Analysis

Your Company has been reporting consolidated results taking into account the results of its subsidiaries, joint ventures and associates (together referred to as "the Group"). This discussion, therefore, covers the financial results and other developments during April 2014 to March 2015, in respect of the Group. Some statements in this discussion describing the projections, estimates, expectations or outlook may be forward looking. Actual results may, however, differ materially from those stated on account of various factors such as changes in government regulations, tax regimes, economic developments, exchange rates and interest rates fluctuations, impact of competition, demand and supply constraints.

During the year under review, your Company has achieved sales turnover of ₹21,674.90 lakhs on a standalone basis and ₹30,022.85 lakhs on a consolidated basis. Profit grew by ₹165.90 lakhs on a standalone basis and by ₹461.91 lakhs on a consolidated basis over the prior year. Although tough economic conditions continued in the year under review, your Company was able to record significant improvement in performance owing to growth in the areas of water treatment chemicals, water treatment equipment and biotechnology products. Construction chemicals maintained its performance while protective coatings continued to face tough market demand conditions.

Financial and Operational Performance

Standalone

The highlights of the financial performance of the Company on a standalone basis are as follows:

(₹ in Lakhs)

| Particulars | 2014-15 | 2013-14 | % Δ |
|--------------------------|---------|---------|-------|
| Net Sales | 21,429 | 20,132 | 6.45 |
| Product Margin | 3,901 | 3,532 | 10.44 |
| Gross Margin | 2,697 | 2,370 | 13.78 |
| Selling & Administration | 2,149 | 1,975 | 8.79 |
| Employee Cost | 1,693 | 1,550 | 9.22 |
| EBITDA | 1,123 | 907 | 23.84 |
| PBT | 574 | 411 | 39.66 |

Ratio Analysis

| Particulars | 2014-15 | 2013-14 |
|------------------------------|---------|---------|
| % of Product Margin to Sales | 18.20 | 17.54 |
| % of Gross Margin to Sales | 12.58 | 11.77 |
| % of S & A to Sales | 10.03 | 9.81 |
| % Employee Cost to Sales | 7.90 | 7.70 |
| % of EBITDA to Sales | 5.24 | 4.51 |
| Earnings per Share (Basic) | 8.38 | 5.89 |
| Earnings per Share (Diluted) | 8.17 | 5.72 |
| Debt/Equity | 0.42 | 0.51 |

Consolidated

The highlights of the consolidated financial performance are as follows:

(₹ in Lakhs)

| Particulars | 2014-15 | 2013-14 | % Δ |
|--------------------------|---------|---------|-------|
| Net Sales | 29,432 | 26,941 | 9.25 |
| Product Margin | 10,887 | 9,731 | 11.88 |
| Gross Margin | 9,521 | 8,350 | 14.02 |
| Selling & Administration | 7,448 | 6,773 | 9.97 |
| Employee Cost | 3,886 | 3,575 | 8.71 |
| EBITDA | 2,801 | 2,203 | 27.14 |
| PBT | 2,008 | 1,519 | 32.19 |

Ratio Analysis

| Particulars | 2014-15 | 2013-14 |
|------------------------------|---------|---------|
| % of Product Margin to Sales | 36.99 | 36.12 |
| % of Gross Margin to Sales | 32.35 | 30.99 |
| % of S & A to Sales | 25.31 | 25.14 |
| % Employee Cost to Sales | 13.20 | 13.27 |
| % of EBITDA to Sales | 9.52 | 8.18 |
| Earnings per Share (Basic) | 18.59 | 11.65 |
| Earnings per Share (Diluted) | 18.11 | 11.31 |
| Debt/Equity | 0.23 | 0.34 |

Industry Structure & Developments

The relevant industry for your Company is Speciality Chemicals. The chemical manufacturing industry occupies an important position in the Indian Economy for its extended role of early industrialization and social sector development.

Strong growth in end user segments coupled with the initiatives from the government and industry to enhance manufacturing has brought the focus on the Indian speciality chemicals manufacturing segment. Simultaneously, improved competitiveness of Indian manufacturers and an interest in India from global players is likely to result in significant growth of the diverse but fragmented speciality chemicals segment.

Opportunities and Threats

A future of opportunities exist in the form of increasing user / regulatory demands on:

- water treatment, its conservation and reuse;
- higher quality, affordable, faster and energy efficient construction;
- obtaining cost savings through better protection of industrial assets;
- the applications of industrial biotechnology; and
- introduction of greener polymers and plastics

At the same time the competitive landscape poses a threat, with companies global and local, large and small, quality oriented and not, being treated almost as equals by users. Scarcity of skilled and trained human resources is another threat to the growth of the Company. Volatile raw material prices can pose a threat to the short term profitability of the company.

Risks & Concerns

The present risks and anticipated future risks are reviewed by the management of your company at regular intervals. Based on its past experiences, the management tries to remain vigilant about all prospective risks and takes suitable preventive measures to adequately safeguard its resources like men, machine & money, so that the business continues as usual even during difficult situations. The company also follows the norms of OHSAS 18001:2007, to provide a risk free work environment to the employees, by providing them with the necessary safety equipment & gears to enable them to perform their tasks safely.

Business Areas

Water Treatment

Your Company is a pioneer of non-chromate cooling water treatment chemicals in India, introducing these products in 1980. Since then, the company has grown its product range to offer the entire range of water treatment chemicals namely boiler water treatment chemicals, membrane treatment chemicals, raw water and effluent treatment polymers and defoamers. The chemicals business is run as a joint venture company under the name Chembond Solenis Water Technologies Limited wherein your company owns 55% equity. In addition to these products and in line with building an integrated capability for water treatment and recycling, your company has invested in adding water treatment systems / equipment and in microbial remediation of high COD industrial waste water. This place your Group in a unique position to offer integrated water recycling solutions to industry. The systems business is operated as Chembond Clean Water Technologies and is a subsidiary of your company.

Construction Chemicals

We offer a wide range of products for applications in concrete modification, waterproofing, and repair and rehabilitation of structures. Products like admixtures for concrete, sealants, grouts, concrete curing compounds, tile fixing adhesives, waterproofing chemicals, membranes, jointing compounds, crack repair and special application mortars are offered by us.

During the year, the Company has added an array of products and systems, with the objective of becoming a total solution provider in construction chemicals sector. Introduction of epoxy and polyurethane resin system for repair of cracks in concrete structures, various concrete admixtures, new repair systems like re-injection hose and JointFlex TPE have been introduced in partnership with some international companies. Products targeted primarily towards water proofing of residential and commercial water tanks, have received CFTRI approved. During the year, the company participated in events like Acetech and Big 5 to promote its products. The distribution channel continued to grow with new dealers, applicators and distributors coming on board. There has been a consistent acceptance of your Company's high performance products in the market. However, sluggish trends were observed and growth of industrial output was lower than expected, thereby limiting the growth of this division during the year.

The **Biotech** division's performance was noteworthy in many aspects. The business grew by almost 50%. Some of the products have achieved the tag of 'Megabrand'. More importantly, this growth has come in spite of many challenges and fluctuating commodity prices. There are several initiatives for the future like continuing to launch new products and development of human resources.

Performance of Joint Ventures & Subsidiaries

Henkel Chembond Surface Technologies Limited (HCSTL), associate Company, registered a growth of 12.31% in revenue from operations during the year. There has been a growth of 25.92% in profits after tax.

Chembond Industrial Coatings Limited (CICL) is a wholly owned subsidiary of your Company with activities in the field of industrial coatings. During the financial year under review, the technology agreement with Inver SpA, Italy ended due to its acquisition by Valspar, USA. Your Company intends to continue to develop the business based on its own existing technology available in the Coatings division and in-house development of new products.

Protochem Industries Pvt. Ltd. (Protochem) is a wholly owned subsidiary of your Company. The range of products manufactured by Protochem includes specialty chemicals and lubricants such as corrosion inhibitors, heat treatment chemicals, and aerosol & non-aerosol MRO (Maintenance, Repair and Overhaul) products. Protochem has commissioned a plant for the production of probiotics and industrial enzymes via fermentation processes. These products have a captive consumption in your Company but much larger applications in areas like feed, textiles, distilleries, food processing, alcohol production, and wine making. Protochem has a flexible, state of the art manufacturing facility at Mahape and a modern laboratory for quality control and product development. Revenues from operations registered a growth of 44.11%. Protochem successfully achieved profits after tax for the year under review of ₹6.76 Lakh as against a loss of ₹158.90 Lakh in the previous year.

During the year, the performance of associate companies Chembond Distribution Limited, Chembond Enzyme Company Limited and Chembond Bioengineering Company Limited were noteworthy as well.

Research & Development

Continued research and development in Biotechnology has resulted in the streamlining of the manufacturing of several industrial enzymes and probiotics. Similar initiatives in the polymer arena have resulted in the successful development of bio-based polyamides and acrylic emulsions. These activities have resulted in your Company being recognized as an innovative company, a self-sufficient company with a differentiated strategy.

In **Construction Chemicals**, design and development of new systems in the field of repair and waterproofing is done. After a thorough testing and verification, a new product – KEM AQUAGUARD 2K, two component polymer based brush applied membrane for concrete – has been launched. KEM PROOF ULTIMATE, a single component acrylic based protection and anti-carbonation coating for concrete structures such bridges and tunnels was successfully developed and launched.

In **Coatings**, your Company has introduced Kemgreen series products for Direct to Metal (DTM) application for use in Automotive and General Industrial segments. These products are water based and contains minimal amount of co-solvents. Theoretical emissions of these products are less than 0.10 gram per square meter per 1 micron thickness. Therefore, it is the most environmentally sound product in the market. These products do not contain hazardous substances like solvents, lead, and chrome and are compatible with substances like cast iron, alloys, aluminum, plastics and rubber. The product is characterized by fast drying, gloss, easy application that is similar to those of traditional solvent-based enamels.

In **Polymers**, researchers have discovered unique adhesion promoter for improvement in adhesion properties of plastic surface and also submitted provisional Indian Patent application this year. Chembond has actively participated in Innovation Pavilion this year at PLASTINDIA 2015. Your company believes in open innovation, cares for environment and encourages Industry–Academic fruitful interaction so started collaborative research projects with Central Institute for Plastic Engineering and Technology – CIPET, Ahmedabad on Bio based zero phthalate green plasticizers for PVC and SMA – Copolymer: compatibilizer, melt flow & impact modifier for polymeric blends. This year we have successfully commissioned a semi-commercial polymer plant for making performance polyamides – thermoplastic polymers that are based, in part, on renewable resources. Unlike other bio-based polyamides, these possess the higher melting temperatures, faster crystallization rates, lower moisture uptakes and good mechanical properties associated with engineering thermoplastics. These polymers can be used to replace the petroleum - based polyamide for high end injection molding application such as the electronic and automotive parts.

Biotech business has streamlined its enzyme & phytase manufacturing unit as commercial viable facility. Your Company has started manufacturing & supplying individual and complex enzymes. The project of manufacturing of probiotics has been undertaken and successfully launched. By strengthening our R&D facilities, the team has projected the customers about very high ‘technical know-how’ & boost the customer confidence which in turn helping to facilitate brand building activities. The purpose is to give thrust on innovation, differentiate from the competitors & most important to become self-sufficient.

Manufacturing

Your Company has existing manufacturing units at Tarapur, Mahape, Dudhwada, Ranipet and Baddi. With this, your Company has the capability to efficiently serve the customers’ requirements in all parts of the country. The overall manufacturing capacity is elastic, with a flexibility of wide range of product categories and capable of handling the requirements of the Company for the next several years. The plants are modern, compliant with health, safety, and environment norms, and the team is well trained to use the best manufacturing practices.

Safety, Health, Environment and Quality

Chembond has an objective of being the “supplier of choice” to its diverse customers. In order to achieve this objective, all manufacturing sites and functions have targets on customer service, among others. Your Company aims to continually improve these targets through its Quality Management Systems.

In addition to Quality, Safety, Health, and Environment is an integral part of’ Chembond’s business and operations. Your Company’s Tarapur and Dudhwada plants have implemented safety, health & environment management systems, which is integrated with its Quality Management System.

Your Company follows an integrated SHE-Q Management System under which, the following plants are certified:

| Locations | ISO 9001 : 2008 | ISO 14001 | OHSAS 18001 | ISO/TS 16949 |
|------------|-----------------|-----------|-------------|--------------|
| HO- Mahape | Y | NA | NA | Y |
| Tarapur | Y | Y | Y | Y |
| Dudhwada | Y | Y | Y | NA |
| Baddi | Y | - | - | NA |

“Quality is not an act, it is a habit”. Chembond also has a Safety, Health, and Environment objective of having zero lost time due to accidents across the organization. Everyone at Chembond is committed to protect the environment by controlling the interaction with environment by process control, systematic waste management, energy conservation, and emission control.

Human Resources

Your Company continued to have healthy employee relations in all of its establishments throughout the year. To reinforce Employee Engagement several initiatives were taken such as cleanliness drive, sports events, celebration of Women’s Day, and Diwali celebrations. Yoga & meditation programme was also organised for the benefit of employees. A blood donation camp was also organised in the campus.

Need based training & development programmes were organised for the employees that included functional/technical skills as also soft skills. Personal coaching/counselling was organised to enhance leadership skills at managerial levels. Planned interventions were made to inculcate service oriented; system-centric work culture. Reward policies were designed to encourage active implementation of Company values. All these initiatives facilitated retention of talent.

Number of permanent employees in your Company during the year is 328.

Internal Control Systems and their Adequacy

The internal control system in place throughout the Company is aimed at systematic and thorough identification and assessment of all major risks, which threaten the achievement of objectives, including risks related to business operations, finance, legal and strategic. It makes an important contribution towards ensuring compliance with the laws that apply as well as providing assurance on the propriety and reliability of internal and external financial reporting. The internal control system is therefore a significant factor in the management of process risks.

Your Company has also formed “Risk Management Committee” comprising of Non-Executive Directors who are expert in the field of finance, strategic management, operations and law. Furthermore, the Company has engaged the services of independent firms of professionals to function as internal auditors and provide reports and necessary actions where required on various activities covering observation on adequacy of internal controls and their recommendations.

Developments During the Financial Year

Start of online store

During the year under review, your Company has opened a new medium of business by starting its online store at www.chembondindia.in which is all set for a good business ahead. The online store would be accessible to buyers from all over India. Customers and potential customers can learn about the product range and conveniently buy them through this platform.

Corporate Social Responsibility

The Chembond group believes that an organization should make decisions based not only on financial factors, but also on the social and environmental consequences and does recognize that its business activities have wide impact on the societies in which it operates, and therefore an effective practice is required giving due consideration to the interests of its stakeholders. The Company endeavors to make CSR a key business process for sustainable development and it is always committed to play active role in improving the lives of people. Some of the initiatives undertaken by your Company in this and other areas during the year include

- **Henkel Chembond Children's Centre:** The Company along with its joint venture partner Henkel runs a non-formal educational centre near Tarapur where English, Hindi, Marathi, Science, Mathematics, Social Studies, and General Knowledge form the main subjects of curriculum. Group discussions and sessions with the community and parents help children understand issues like their rights and duties for education better.
- **Health Care Facility:** The Centre organizes periodic health check up by doctor and the children are provided with supplementary nutrition to help them cope with the problem of malnutrition in order to enjoy them a good health.
- **Life Skill Education:** Children under the project are being trained on vital aspects of personality development like behavior and etiquette, hygiene, health, values and habits, social concerns. They are also being given training on art, craft, dance and drama through workshops and cultural programmer.
- **Scholarship Programme:** The Centre also provide financial assistance to weaker sections in order to complete their formal education.
- **Centre at Shirgaon** was started at Shirgaon in November 2012. This is a remote area and most of the families belong to site workers who are paid on daily basis and due to nature of work, the children cannot get opportunity to get proper education. The Centre took an initiative to offer assistance to girls from Balwadi (Junior KG) to 5th standard The Centre also runs a karate class for girls to improve their self-confidence.
- **The Rachna Kendra at Piplaj, Gujarat** was started in 2010 to impart training in handicrafts to the financially weaker women of the village. The Kendra is where they make products using the handicraft skills. Besides providing a means of livelihood, Rachna Kendra helps identify buyers and the women then fulfill the orders.

Outlook

The Indian economy has passed through a tough time over the last couple of years. Coupled with the expected poor monsoon and volatile crude oil prices, the fixes being put in place by the new Government may take some time to make an impact. Your Company has nevertheless continued to make its investments in facilities, people, technology and brands because the Indian market has a tremendous scope for the kinds of businesses in which Chembond operates. The last quarter saw an improvement over the previous several quarters, which should continue through the current year before accelerating. That will be when your Company will be even better established in its own businesses of Construction Chemicals, Coatings, Biotech, Polymers, and Water Treatment Equipment and the market for the products catered to by your Company's joint ventures will show better than satisfactory growth on the back of the higher scale.

Forward Looking Statements

This report contains statements, which may constitute 'forward looking statements' within the meaning of the applicable securities laws and regulations. Forward-looking statements are based on certain assumptions and expectations of the future events. Actual results could differ materially from those expressed or implied. Important factors that could impact the Company's performance include, among others, economic conditions affecting the demand / supply and price conditions in the markets in which the Company operates, changes in the Government policies, regulations, tax laws, other statutes and incidental factors.

The Company undertakes no obligations to update or revise forward-looking statements based on any subsequent developments, information or events.

10 Years' Financial Performance Consolidated

(₹ in Lakhs except per share data and ratios)

| Highlights | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|
| Operating Result | | | | | | | | | | |
| Revenue From Operations | 30,022.85 | 27,445.96 | 26,606.44 | 23,128.40 | 21,027.41 | 17,725.32 | 14,398.26 | 13,180.97 | 10,346.97 | 8,523.60 |
| Other Income | 138.04 | 120.77 | 120.52 | 138.64 | 142.62 | 116.67 | 51.19 | 100.22 | 113.51 | 95.36 |
| Finance Cost | 361.08 | 402.88 | 451.71 | 364.08 | 311.06 | 303.55 | 203.27 | 114.71 | 74.60 | 70.48 |
| Depreciation | 432.32 | 281.39 | 259.28 | 209.93 | 185.98 | 176.86 | 135.27 | 101.12 | 81.86 | 64.77 |
| PBT | 2,007.90 | 1,518.98 | 1,576.76 | 2,035.06 | 2,478.30 | 2,232.90 | 1,321.57 | 1,535.64 | 1,256.60 | 1,015.05 |
| PAT | 1,440.27 | 912.41 | 790.19 | 1,360.56 | 1,647.17 | 1,451.99 | 886.06 | 1,038.51 | 821.84 | 655.16 |
| Dividend on Equity Shares | 199.81 | 199.81 | 189.82 | 149.47 | 136.75 | 111.30 | 105.00 | 105.00 | 97.50 | 97.50 |
| Financial Position | | | | | | | | | | |
| Equity Share Capital | 666.04 | 666.04 | 666.04 | 636.04 | 636.04 | 636.04 | 300.00 | 300.00 | 300.00 | 300.00 |
| Reserves (Less Revaluation Reserve & Misc exp) | 8,858.60 | 7,907.32 | 7,422.93 | 6,635.28 | 5,481.55 | 4,369.37 | 3,652.02 | 2,885.21 | 2,138.35 | 1,613.87 |
| Net Worth | 9,524.64 | 8,573.36 | 8,088.97 | 7,271.32 | 6,117.59 | 5,005.41 | 3,952.02 | 3,185.21 | 2,438.35 | 1,913.87 |
| Borrowings | 2,495.24 | 3,307.28 | 2,948.21 | 3,668.79 | 2,442.80 | 2,265.22 | 2,248.11 | 1,234.32 | 833.50 | 877.06 |
| Net Block (Asset) | 5,147.03 | 5,361.52 | 4,725.00 | 4,122.79 | 3,335.20 | 3,312.54 | 2,672.36 | 1,710.38 | 1,382.91 | 912.20 |
| Ratios | | | | | | | | | | |
| Return on Average Networth % (RONW) (PAT divided by Average Networth) | 15.92% | 10.95% | 10.29% | 20.32% | 29.62% | 32.42% | 24.83% | 36.93% | 37.77% | 38.33% |
| Return on Average Capital Employed % (ROCE) (PBIT divided by Average Fund Employed Excluding Def tax liab) | 17.88% | 16.01% | 16.90% | 24.46% | 34.97% | 37.26% | 28.33% | 41.88% | 42.95% | 41.36% |
| Gross Gearing % (Debt as a percentage of Debt plus Equity) | 20.76% | 27.71% | 26.58% | 33.36% | 28.34% | 30.89% | 35.89% | 27.52% | 24.96% | 30.67% |
| Current Ratio | 2.16 | 2.09 | 2.20 | 2.32 | 2.42 | 2.21 | 2.27 | 1.80 | 1.71 | 2.02 |
| (Current Assets divided by Current Liabilities**) | 1.48 | 1.34 | 1.45 | 1.32 | 1.49 | 1.46 | 1.45 | 1.47 | 1.46 | 1.56 |
| Asset Turnover Ratio (Net Sales divided by Total Assets) | 11.65 | 11.65 | 11.13 | 19.70 | 21.25 | 19.49 | 26.19 | 31.24 | 24.37 | 20.07 |
| Earning Per Share (Basic)* | 3.00 | 3.00 | 2.85 | 2.35 | 2.15 | 1.75 | 3.50 | 3.50 | 3.25 | 3.25 |
| Dividend Per Share | 143.00 | 128.72 | 121.45 | 114.32 | 96.18 | 78.70 | 131.73 | 106.17 | 81.28 | 63.80 |

* Adjusted for issue of Bonus Shares in March 2010 in the ratio of 1 : 1

** Current Liabilities excludes Short Term Borrowing and Current maturities of Long term Debt

(₹ in Lakhs except per share data and ratios)

10 Years' Financial Performance Standalone

| Highlights | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|
| Operating Result | | | | | | | | | | |
| Revenue From Operations | 21,674.90 | 20,356.05 | 17,689.98 | 15,368.80 | 13,453.49 | 11,494.26 | 11,144.29 | 9,598.67 | 7,452.52 | 5,328.95 |
| Other Income | 329.92 | 288.28 | 424.35 | 398.84 | 332.07 | 262.39 | 226.44 | 220.28 | 251.81 | 163.39 |
| Finance Cost | 273.51 | 304.20 | 291.70 | 237.81 | 249.84 | 238.29 | 146.58 | 74.77 | 38.49 | 38.44 |
| Depreciation | 276.21 | 192.13 | 181.95 | 138.53 | 118.75 | 111.43 | 86.98 | 58.35 | 40.39 | 30.61 |
| PBT | 573.72 | 410.80 | 419.47 | 801.03 | 815.74 | 647.36 | 554.77 | 640.57 | 580.95 | 414.20 |
| PAT | 558.33 | 392.43 | 347.76 | 664.23 | 645.48 | 517.31 | 480.28 | 504.39 | 453.04 | 306.36 |
| Dividend on Equity Shares | 199.81 | 199.81 | 189.82 | 149.47 | 136.75 | 111.30 | 105.00 | 105.00 | 97.50 | 97.50 |
| Financial Position | | | | | | | | | | |
| Equity Share Capital | 666.04 | 666.04 | 666.04 | 636.04 | 636.04 | 636.04 | 300.00 | 300.00 | 300.00 | 300.00 |
| Reserves (Less Revaluation Reserve & Misc exp) | 4,529.93 | 4,175.53 | 3,974.92 | 3,421.20 | 2,744.35 | 2,237.64 | 2,162.68 | 1,644.99 | 1,271.70 | 977.43 |
| Net Worth | 5,195.97 | 4,841.57 | 4,640.97 | 4,057.24 | 3,380.39 | 2,873.68 | 2,462.68 | 1,944.99 | 1,571.70 | 1,277.43 |
| Borrowings | 2,176.85 | 2,481.42 | 2,298.03 | 2,138.50 | 1,626.14 | 2,062.56 | 1,954.48 | 796.81 | 605.64 | 491.07 |
| Net Block (Asset) | 3,617.61 | 3,820.63 | 3,403.46 | 2,881.72 | 2,114.24 | 2,088.41 | 1,973.99 | 1,072.80 | 919.18 | 564.10 |
| Ratios | | | | | | | | | | |
| Return on Average Networth %(RONW) (PAT divided by Average Networth) | 11.12% | 8.28% | 8.00% | 17.86% | 20.64% | 19.39% | 21.79% | 28.69% | 31.80% | 25.97% |
| Return on Average Capital Employed % (ROCE) (PBIT divided by Average Fund Employed Excluding Def tax liab) | 11.47% | 9.96% | 10.74% | 18.35% | 21.18% | 18.61% | 21.53% | 28.25% | 30.25% | 25.98% |
| Gross Gearing % (Debt as a percentage of Debt plus Equity) | 29.53% | 33.64% | 32.85% | 34.20% | 32.11% | 41.27% | 43.45% | 28.38% | 26.98% | 26.72% |
| Current Ratio | 1.37 | 1.31 | 1.46 | 1.53 | 1.72 | 1.69 | 1.70 | 1.59 | 1.56 | 1.92 |
| (Current Assets divided by Current Liabilities**) | | | | | | | | | | |
| Asset Turnover Ratio (Net Sales divided by Total Assets) | 1.76 | 1.58 | 1.57 | 1.58 | 1.72 | 1.48 | 1.50 | 1.86 | 1.72 | 1.68 |
| Earning Per Share (Basic)* | 8.38 | 5.89 | 5.46 | 10.44 | 10.15 | 8.13 | 16.01 | 16.81 | 13.61 | 10.21 |
| Dividend Per Share | 3.00 | 3.00 | 2.85 | 2.35 | 2.15 | 1.75 | 3.50 | 3.50 | 3.25 | 3.25 |
| Book Value per Share | 78.01 | 72.69 | 69.68 | 63.79 | 53.15 | 45.18 | 82.09 | 64.83 | 52.39 | 42.58 |

* Adjusted for issue of Bonus Shares in March 2010 in the ratio of 1 : 1

** Current Liabilities excludes Short Term Borrowing and Current maturities of Long term Debt

Directors' Report

To
The Members,

Your Directors take pleasure in presenting the 40th Annual Report on the business and operations of your Company together with the Audited Financial Statements for the year ended 31st March, 2015.

Financial Results

The financial performance of your Company is as summarized below for the year under review:

(₹ in Lakhs)

| Particulars | Standalone | | Consolidated | |
|--|----------------|-----------------|-----------------|-----------------|
| | 2014-15 | 2013-14 | 2014-15 | 2013-14 |
| Revenue from operations | 21,674.90 | 20,356.05 | 30,022.85 | 27,445.96 |
| Profit for the year | 558.33 | 392.43 | 1,237.86 | 775.95 |
| Add: Balance as per last year | 3,057.54 | 2,903.03 | 5,794.48 | 5,477.55 |
| Less: Transitional Depreciation provision | 34.11 | 0.00 | 41.33 | 0.00 |
| Add: Transfer from Revaluation Reserve | 54.04 | 1.89 | 54.05 | 1.89 |
| Total | 3635.80 | 3,297.35 | 7,045.06 | 6,255.39 |
| Appropriation | | | | |
| General Reserves | 50.00 | 40.00 | 182.42 | 197.37 |
| Set off of Dividend Tax in respect of dividend from Subsidiary Company | (13.86) | (33.96) | (13.86) | (33.96) |
| Proposed Dividend | 199.81 | 199.81 | 199.81 | 199.81 |
| Tax on Proposed Dividend | 39.95 | 33.96 | 90.64 | 97.69 |
| Balance carried to Balance Sheet | 3359.89 | 3,057.54 | 6,586.04 | 5,794.48 |
| Total | 3635.80 | 3,297.35 | 7,045.06 | 6,255.39 |

Performance Highlights

During the year under review, Revenue from operations of your Company's products and services increased to ₹21,674.90 Lakhs compared with ₹20,356.05 Lakhs in FY 2013-14. The Profit After Taxes grew by approximately 42% over FY 2013-14.

Dividend

The Board of Directors recommend a dividend of ₹3.00 per equity share (Previous year ₹3.00) for the financial year ended 31st March, 2015. The outflow on account of dividend payment amounts to ₹200.29 Lakhs.

Transfer to Reserves

Your Company proposes to transfer an amount of ₹50 Lakhs (Previous year ₹40 Lakhs) from the current year's profits to the General Reserve.

Deposits

The Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and rules framed thereunder. All deposits, details of which were filed in form DPT-4 with the Registrar of Companies, were repaid before 31st March, 2015 and no deposits are remaining unpaid or unclaimed as at that date. There has been no default in repayment of deposits or payment of interest thereon during the year.

Directors and Key Managerial Personnel

The Board, in its meeting held on 9th August, 2014 appointed Mrs. Rashmi S. Gavli as the Chief Financial Officer of your Company.

Mr. Omkar Mhamunkar resigned as a Company Secretary with effect from 31st July, 2014. The Board places on record its appreciation of the valuable services rendered by him. Mr. Varadvinayak V. Khambete was appointed as Company Secretary by the Board in its meeting held on 9th August, 2014.

Pursuant to the provisions of Section 149 of the Companies Act, 2013, Mr. Jawahar I. Mehta, Mr. Sushil U. Lakhani and Mr. Mahendra K. Ghelani were appointed as Independent Directors in the Annual General Meeting of the Company held on

9th August, 2014. Mrs. Saraswati Sankar was appointed as an Additional Director (Independent) of the Company on 24th March, 2015.

Inter-se relationship between Directors

Mr. Sameer V. Shah, Chairman and Managing Director and Mr. Nirmal V. Shah, Vice Chairman & Managing Director are brothers.

Number of Board Meetings

Six board meetings were convened and held during the year. Details of these meetings of the board are included in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

Performance evaluation and its criteria

The Directors on the Board carried out an annual evaluation of the Board itself, its Committees and individual Directors. The entire Board carried out performance evaluation of each Independent Director excluding the Independent Director being evaluated. Nomination Remuneration Committee also carried out evaluation of every director's performance.

A structured questionnaire was prepared after taking into consideration inputs received from the Directors, setting out parameters of evaluation. Evaluation parameters of the Board and Committees were mainly based on Disclosure of Information, Key functions of the Board and Committees, responsibilities of the Board and Committees, Corporate Governance Norms etc. Evaluation parameters of individual directors including the Chairman of the Board and Independent Directors were based on Knowledge to perform the role, Time and Level of Participation, Performance of Duties and Level of Oversight and Professional Conduct etc.

Independent Directors in their separate meeting have also evaluated the performance of Non-Independent Directors, Chairman of the Board and the Board as a whole.

Disclosures by the Directors

The Directors on the Board have submitted notice of interest under Section 184(1), intimation under Section 164(2) and declaration as to compliance with the Code of Conduct of the Company. All Independent Directors have also given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 (the "Act") and Clause 49 of the Listing Agreement.

Directors' Responsibility Statement

Pursuant to Section 134 of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;
- (b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the Directors had prepared the annual accounts on a going concern basis;
- (e) the Directors, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- (f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Auditors

The Statutory Auditors of your Company, M/s. Kastury & Talati, were appointed to hold office until the conclusion of the ensuing Annual General Meeting. The Company has received the Certificate from them to the effect that their re-appointment, if made, would be in compliance of the Companies Act, 2013.

The Company has appointed Mr. R. S. Raghavan, Practising Cost Accountant, as Cost Auditor of the Company for the financial year 2015-16.

The Company has appointed Mr. Virendra Bhatt, Practising Company Secretary, as Secretarial Auditor for the financial year 2014-15. The report of secretarial auditor is attached as Annexure 1.

Audit Committee

Please refer the details given in the Corporate Governance Report.

Subsidiary, Joint Venture or Associate Companies

During the year, no company has become or ceased to be your Company's subsidiary, joint venture or associate company. A separate statement containing salient features of financial statement of your Company's subsidiaries in Form AOC-1 is attached as Annexure 2. The report on the performance and financial position of subsidiaries, associates, and joint venture companies forms a part of the Management Discussion & Analysis.

Particulars of employees

The information required under Section 197 & Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given below.

- a) Ratio of remuneration of each director to the median employee's remuneration for the financial year.

| Name | Designation | Ratio |
|----------------------|-----------------------------------|-----------|
| Sameer V. Shah | Chairman and Managing Director | 10.82 : 1 |
| Nirmal V. Shah | Vice Chairman & Managing Director | 10.82 : 1 |
| Ashwin R. Nagarwadia | Non-executive Director | 0.60 : 1 |

For this purpose, sitting fees paid to NEDs have not been considered as remuneration.

- b) Percentage increase in remuneration of each director, CFO, CS.

| Name | Designation | % increase |
|-----------------------------|-----------------------------------|------------|
| Sameer V. Shah | Chairman and Managing Director | 0 |
| Nirmal V. Shah | Vice Chairman & Managing Director | 0 |
| Ashwin R. Nagarwadia | Non-executive Director | 0 |
| Rashmi S. Gavli * | Chief Financial Officer | 0 |
| Varadvinayak V. Khambete ** | Company Secretary | 16% |

* Mrs. Rashmi S. Gavli was appointed as CFO w.e.f. 9th August, 2014. Since the information is for the part of the year, the same is not comparable.

** Mr. Varadvinayak V. Khambete was appointed as a Company Secretary w.e.f. 9th August, 2014. After appointment, his remuneration was revised w.e.f. 1st January, 2015. For comparison purpose, his remuneration as on 31st March, 2015 has been compared with that of previous Company Secretary Mr. Omkar Mhamunkar as on 31st March, 2014.

- c) The percentage increase in the median remuneration of employees: 6.9%
- d) The number of permanent employees: 328
- e) The explanation on the relationship between average increase in remuneration and Company performance:

Net Profit for the year under review increased by 42.27% compared to previous year. The average increase in remuneration during the year is 8.39% which is in line with market trends.

- f) Comparison of each remuneration of key managerial personnel against the performance of the Company.

| Name | Designation | CTC (As on 31 st March, 2015) (₹ In Lac) | % increase in CTC | PAT (₹ In Lac) | % increase in PAT compared to previous year |
|----------------------------|-------------|---|----------------------|-------------------|---|
| Sameer V. Shah | MD | 36,00,000 | 0 | 558.33 | 42.27 |
| Nirmal V. Shah | MD | 36,00,000 | 0 | | |
| Rashmi S. Gavli * | CFO | 25,79,579 | 0 | | |
| Varadvinayak V. Khambete** | CS | 7,00,680 | 16 | | |

* Mrs. Rashmi S. Gavli was appointed as CFO w.e.f. 9th August, 2014. Since the information is for the part of the year, the same is not comparable.

** Mr. Varadvinayak V. Khambete was appointed as a Company Secretary w.e.f. 9th August, 2014. After appointment, his remuneration was revised w.e.f. 1st January, 2015. For comparison purpose, his remuneration as on 31st March, 2015 has been compared with that of previous Company Secretary Mr. Omkar Mhamunkar as on 31st March, 2014.

- g) Variations in the market capitalisation of the Company, price-earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase or decrease in the market quotations of the shares of the company.

| Date | Issued Capital (shares) | Closing Market Price per share in ₹ | EPS | P-E Ratio | Market capitalization (In Lakhs ₹) |
|---|-------------------------|-------------------------------------|-------|-----------|------------------------------------|
| 31.03.2014 | 66,60,412 | 133.00 | 5.89 | 22.58 | 8,858.35 |
| 31.03.2015 | 66,60,412 | 342.00 | 8.38 | 40.81 | 22,778.61 |
| Increase /(Decrease) | - | 209.00 | 2.49 | 18.23 | 13,920.26 |
| % of Increase /(Decrease) | - | 157.14 | 42.28 | 80.74 | 157.14 |
| Issue Price of the share at the last Public Offer (IPO) | - | 15.00 | - | - | - |
| Increase in market price as on 31.03.2015 as compared to issue price of IPO | - | 327.00 | - | - | - |
| Increase in % | - | 2,180.00 | - | - | - |

- h) Average percentile increase made in the salaries of employees other than key managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

Average increase made in the salaries of employees other than key managerial personnel during the year is 4.13%. As on 31st March, 2014, remuneration was paid to Managing Directors and Company Secretary whereas as on 31st March, 2015, remuneration was paid to Managing Directors, Chief Financial Officer and Company Secretary. While remuneration to Managing Directors remained unchanged, remuneration to Chief Financial Officer was paid during the year, the position which was added during the year. On that account, average increase in the managerial remuneration in the year is 34.29%.

There are no other exceptional circumstances for increase in the remuneration of key managerial personnel and increase in remuneration has been in accordance with the Company's policies. The increment given to each individual employee is based on the employees' potential, experience as also their performance and contribution to the Company's progress over a period of time.

- i) Key parameters for any variable component of remuneration availed by the directors : N.A.
- j) the ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year : N.A.
- k) The Company affirms that the remuneration is as per the Remuneration Policy of the Company.

Disclosure under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is not applicable to any of the employees of the Company.

Remuneration to Managing Director from subsidiary

During the financial year 2014-15 Mr. Nirmal V. Shah, Vice Chairman & Managing Director, received remuneration of ₹40.82 Lac (excluding contribution to LIC under Group Gratuity Scheme & Superannuation Scheme) from Chembond Solenis Water Technologies Limited, subsidiary Company.

Pecuniary relationships with Non-Executive Directors

The Company paid sitting fees to Non-Executive Directors (NEDs) for attending the meetings. Members of the Company at their meeting held on 10th August, 2013 have approved the payment of commission to NEDs and, accordingly, Mr. Ashwin R. Nagarwadia was paid a commission of ₹2 Lakhs during the year which is in terms of and within the limits prescribed under the Act.

Criteria of making payments to NEDs is available on Company's website at <http://www.chembondindia.com/investors/policy.asp?id=7#7>.

The number of shares held by NEDs as on 31st March, 2015 is as follows:

| Name of NED | Shares held |
|----------------------|-------------|
| Ashwin R. Nagarwadia | 5,40,632 |
| Perviz H. Dastur | 1,57,060 |
| Mahendra K. Ghelani | 4,500 |
| Jawahar I. Mehta | 1,200 |
| Sushil U. Lakhani | 0 |
| O. P. Malhotra | 0 |
| Saraswati Sankar | 0 |

Employees Stock Option Scheme

Pursuant to the approval accorded by the shareholders at the thirty sixth Annual General Meeting of the Company held on 10th September, 2011 for issue of 3,18,000 Options, the Compensation Committee had formulated the Chembond Chemicals Employees Stock Option Plan 2012 and approved a grant of 232,781 options to the employees of the Company and its subsidiaries under the said Scheme. As required under the Securities and Exchange Board of India (Employees Stock Option and Employees Stock Purchase Scheme) Guidelines, 1999 (SEBI Guidelines), the following details of this scheme as on 31st March, 2015 are being provided:

| Sr. No. | Nature of Disclosure | Particulars |
|---------|---|---|
| A | The Pricing Formula | At a price not less than lower of the average of weekly high and low of closing price of six months or two weeks on the Bombay Stock Exchange (BSE) prior to the date of grant of the options with a discount not more than 10% of the minimum applicable price i.e. ₹ 153/- per share. |
| B | Options Outstanding at the beginning of the year | 1,98,729 |
| C | Options Granted during the year | Nil |
| D | Options Vested | 36,869 |
| E | Options Exercised | 15,950 |
| F | The total no. of shares arising as a result of exercise of option | 15,950 |
| G | Options Lapsed/ Surrendered | 25,780 |
| H | Variation of Terms of Option | No. |
| I | Money realized by exercise of Options | ₹ 24,40,350 |
| J | Total no of Options in force | 1,56,999 |
| K | Employee wise details of Options granted to- | As follows |
| | (i) Details of Options granted to senior management personnel | As per Annexure 3. |
| | (ii) Any other employee who received a grant in any one year of Option amounting to 5% or more of Options granted during the year | Nil |
| | (iii) Employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital of the company at the time of grant | Nil |
| L | Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting standard AS-20 | |
| M | (i) Difference between the compensation cost using the intrinsic value of the stock Options (which is the method of accounting used by the company) and the compensation cost that would have been recognized in the accounts if the fair value of Options had been used as the method of accounting. | The employee compensation cost for the year would have been higher by ₹23.26 Lacs had the Company used the fair value of options as the method of accounting instead of intrinsic value. |

| | | |
|---|--|--|
| | (ii) Impact of the difference mentioned in (i) above on the profits of the Company | The stock-based compensation cost calculated as per the intrinsic value method upto 31 st March, 2015 is ₹2.04 Lacs. If the stock-based compensation cost was calculated as per the fair value method prescribed by SEBI, the total cost to be recognized in the financial statements for the period ended 31 st March, 2015 would be ₹25.30 Lacs. |
| | (iii) Impact of the difference mentioned in (i) above on the EPS of the company | Had the Company accounted the Options as per fair value the diluted EPS would have been 8.17 per share instead of 8.38 per share. |
| N | (i) Weighted Average exercise price of Options | ₹ 153/- |
| | (ii) Weighted average fair value of Options | ₹ 68/- |
| O | (i) Method used to estimate the fair value of Options | Black Scholes Options Pricing Model |
| | (ii) Significant assumptions used (weighted average information relating) | |
| | (a) Risk -free interest rate | 8.25 % |
| | (b) Expected life of the Option | 3.34 years |
| | (c) Expected volatility | 42 % |
| | (d) Expected dividend yields | 1.38 % |
| | (e) Price of the underlying share in the market at the time of Option grant | ₹ 170/- |

The certificate from the statutory auditor as required under the SEBI Guidelines, confirming that the Company's Employees Stock Option Plan 2012 has been implemented in accordance with the SEBI Guidelines and shareholders resolution, will be placed before the shareholders at the ensuing Annual General Meeting.

Policies and Disclosure Requirements

In terms of provisions of the Act and Clause 49 of the Listing Agreement, the Company has adopted following policies which are available on its website – www.chembondindia.com and the web link is <http://www.chembondindia.com/investors/policy.asp?id=7#7>

- Vigil Mechanism and Whistle Blower Policy
- Familiarization Programme for Independent Directors
- Related Party Transactions Policy including Policy on Material Subsidiaries
- Nomination and Remuneration Policy
- Code of Conduct

It is confirmed that all Directors and Senior Management Personnel have affirmed their adherence to the provisions of the Code of Conduct during the financial year 2014-15.

The Company's policy on Directors' appointment, remuneration and other matters provided in Section 178(3) of the Act forms part of nomination and remuneration policy and has been disclosed in the corporate governance report.

Risk Management

The Board of Directors has formed a Risk Management Committee. The details of Committee are set out in the Corporate Governance Report forming part of the Directors' Report. The Company has its Risk Management Plan & Policy in place which is also displayed on the website of the Company. In the opinion of the Board, during the financial year 2014-15, the Board has not noticed any elements of risk which may threaten the existence of the Company.

Internal Financial Controls

For the year ended 31st March, 2015, the Board is of the opinion that the Company has sound Internal Financial Controls commensurate with the nature and size of its business operations wherein controls are in place and operating effectively and no material weaknesses have been noticed. The Company has a process in place to continuously monitor the existing controls and identify gaps, if any, and implement new and /or improved controls wherever the effect of such gaps would have a material effect on the Company's operation.

Corporate Social Responsibility

The criteria prescribed under Section 135 of the Act with respect to constituting CSR committee, adopting CSR policy and spending amount on CSR activities in accordance with the Act do not apply to the Company. However, as a good governance, the Company has voluntarily constituted the CSR Committee composition of which is as follows:

| | |
|----------------------|----------------------|
| Mahendra K. Ghelani | Independent Director |
| Sushil U. Lakhani | Independent Director |
| Sameer V. Shah | Managing Director |
| Ashwin R. Nagarwadia | Director |

The Company has also voluntarily framed its CSR Policy which is available on the website of the Company.

Related Party Transactions

All transactions entered into with Related Parties during the financial year were in the ordinary course of business and on arm's length basis and do not attract the provisions of Section 188(1) of the Act. For material transactions with related parties, the Company has obtained members' approval by way of voting through postal ballot including e-voting results of which have been declared on 19th March, 2015. Suitable disclosures as required by the Accounting Standards (AS18) have been made in the notes to the Financial Statements. The Board has approved a policy for related party transactions which has been uploaded on the Company's website. Necessary disclosures in Form AOC-2 are attached as Annexure 4.

The Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The related information is provided in Annexure 5, which is attached to this report.

Particulars of Loans, Guarantees and Investments

Details of Loans, Guarantees and Investments have been disclosed in the Financial Statements.

Extract of the Annual Return

An extract of the annual return in Form MGT-9 is provided herewith as Annexure 6.

Management Discussion and Analysis Report

Management Discussion and Analysis Report is separately provided in this Annual Report.

Corporate Governance Report

A separate report on Corporate Governance is attached as a part of this Annual Report along with the Auditor's Statements on its compliance.

Prevention, Prohibition and Redressal of Sexual Harassment of Women

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. No complaint has been received in the financial year under review.

Significant and Material Orders Passed

No significant and material order has been passed by the Regulators or Courts or Tribunals impacting the going concern status and Company's operations in future.

Acknowledgements

Your Board takes this opportunity to express its deep thanks to the customers, vendors, shareholders and bankers for the faith they have reposed in the Company. Your Directors also place on record their sincere appreciation of the contribution of its employees for their competence, hard work and cooperation.

On behalf of the Board

Sameer V. Shah
Chairman & Managing Director

Nirmal V. Shah
Vice Chairman & Managing Director

Mumbai
May 21, 2015

Annexure 1 to the Directors' Report

Form No. MR-3

Secretarial Audit Report

for the financial year ended March 31, 2015

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,

Chembond Chemicals Limited

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Chembond Chemicals Limited (Hereinafter called the Company). Secretarial Audit was conducted in a manner that provides me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Chembond Chemicals Limited books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2015 generally complied with the statutory provisions listed hereunder:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Chembond Chemicals Limited ("the Company") for the financial year ended on March 31, 2015 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under (Not applicable during the audit period);
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 & the rules & regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment & External Commercial Borrowings (Not applicable during the audit period);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities And Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations, 2009 (Not applicable during the audit period);
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable during the audit period);
 - (e) The Securities & Exchange Board of India (Issue & listing of Debt securities) Regulations, 2008 (Not applicable during the audit period);
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities & Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable during the audit period); and
 - (h) The Securities & Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable during the audit period);
- (vi) For the other applicable laws our audit was limited to
 - (a) Factories Act, 1948
 - (b) Industrial Disputes Act, 1947

- (c) The Payment of Wages Act, 1936
 - (d) The Minimum Wages Act, 1948
 - (e) Employees State Insurance Act, 1948
 - (f) The Employees Provident Fund & Miscellaneous Provisions Act, 1952
 - (g) The Payment Of Bonus Act, 1965
 - (h) The Payment of Gratuity Act, 1972
 - (i) The Contract Labour (Regulations & Abolition) Act, 1970
- (vii) I have also examined compliance with the applicable clauses of the following:
- (i) The Listing agreements entered into by the Company with the stock exchanges.
 - (ii) Secretarial Standards Issued by The Institute of Company Secretaries of India - At present not applicable.

The Company has reported that they have complied with the Factory inspection and I have reviewed the letters submitted by the Company to the Factory Inspectors.

Contract Labour License is submitted for renewal to the concerned department.

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that I rely on statutory auditor's reports in relation to the financial statements and accuracy of financial figures for, Sales Tax, Wealth Tax, Value Added Tax, Related Party Transactions, Provident Fund, ESIC, etc. as disclosed under financial statements, Accounting Standard 18 & note on foreign currency transactions during our audit period.

I further report that the board of directors of the company is duly constituted with proper balance of Executive Directors, Non-Executive Directors & Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

I further report that as per the information provided generally adequate notice is given to all directors to schedule the Board Meetings, agenda & detailed notes on agenda were sent at least seven days in advance & a system exists for seeking & obtaining further information & clarifications on agenda items before the meeting & for meaningful participation at the meeting.

I further report that as per the information provided majority decision is carried through while the dissenting members' views are captured & recorded as part of the minutes.

I further report that there are generally adequate systems & processes in the company commensurate with the size & operations of the company to monitor & ensure compliance with applicable laws, rules, regulations & guidelines.

I further report that the management is responsible for compliances of all business laws. This responsibility includes maintenance of statutory registers/records required by the concerned authorities and internal control of the concerned department.

I further report that during the audit period the company has no specific events like Public/Right/Preferential issue of shares/debentures/sweat equity, etc.

Virendra Bhatt
ACS No – 1157
COP No – 124

Place: Mumbai
Date: May 21, 2015

Annexure 2 to the Directors' Report**Form AOC-1****Statement containing salient features of the financial statement of subsidiaries/associate companies/joint venture.****Part "A": Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts in ₹ Lakhs)

| 1 | Sr. No. | 1 | 2 | 3 | 4 |
|----|--|---|---|---------------------------------|--------------------------------------|
| 2 | Name of the Subsidiary | Chembond Clean Water Technologies Limited | Chembond Solenis Water Technologies Limited | Chembond Inver Coatings Limited | Protochem Industries Private Limited |
| 3 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | - | - | - | - |
| 4 | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries. | - | - | - | - |
| 5 | Share capital | 827.81 | 50.00 | 95.00 | 100.00 |
| 6 | Reserves & surplus | (885.68) | 2,649.97 | (97.13) | 535.29 |
| 7 | Total assets | 295.75 | 4,540.13 | 196.79 | 890.24 |
| 8 | Total Liabilities | 295.75 | 4,540.13 | 196.79 | 890.24 |
| 9 | Investments | 0.55 | - | - | - |
| 10 | Turnover | 471.61 | 8,646.85 | 183.53 | 810.22 |
| 11 | Profit before taxation | 11.44 | 817.34 | 35.06 | 11.90 |
| 12 | Provision for taxation | 1.88 | 264.05 | 7.28 | 5.14 |
| 13 | Profit after taxation | 13.33 | 553.39 | 27.78 | 6.76 |
| 14 | Proposed Dividend | - | 126.00 | - | - |
| 15 | % of shareholding | 70.17 | 55 | 99.99 | 99.99 |

Part "B": Associates and Joint Ventures**Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures.**

(In ₹ Lakhs)

| Sr. No. | | 1 (Associate) | 2 (Associate) | 3 (Associate) | 4 (Subsidiary of Associate) |
|---------|--|--|-------------------------------|---------------------------------|---|
| 1 | Name of Associates/Joint Ventures | Henkel Chembond Surface Technologies Limited | Chembond Distribution Limited | Chembond Enzyme Company Limited | Chembond Bioengineering Company Limited |
| 2 | Shares of Associate/Joint Ventures held by the company on the year end | As follows | As follows | As follows | As follows |
| a | No. of shares | 4,90,000 | 2,35,000 | 4,90,000 | 1 |
| b | Amount of Investment in Associates/Joint Venture | 49.00 | 2.35 | 4.90 | 0* |
| c | Extend of holding (%) | 49 | 47 | 49 | - |
| 3 | Description of how there is significant influence | Under the same Management | Under the same Management | Under the same Management | Under the same Management |

| Sr. No. | | 1 (Associate) | 2 (Associate) | 3 (Associate) | 4 (Subsidiary of Associate) |
|---------|---|------------------|------------------|------------------|--------------------------------|
| 4 | Reason why the associate/joint venture is not consolidated | N.A. | N.A. | N.A. | N.A. |
| 5 | Networth attributable to Shareholding as per latest audited Balance Sheet | 7,260.41 | (211.75) | 151.54 | 6.00 |
| 6 | Profit / Loss for the year | 1,132.89 | 54.41 | 8.21 | 30.73 |
| a | Considered in Consolidation | Yes | Yes | Yes | Yes |
| b | Not Considered in Consolidation | N.A. | N.A. | N.A. | N.A. |

* ₹1 fully paid-up

Annexure 3 to the Directors' Report

Details of Options granted to senior management personnel

| Sr. No. | Name | Designation | No. of Options |
|---------|------------------|----------------------------|----------------|
| 1 | Rashmi Gavli | Chief Financial Officer | 2,760 |
| 2 | Mahesh Kulkarni | GM – Industrial Coatings | 2,400 |
| 3 | Naresh Padia | Sr. GM Operations | 2,760 |
| 4 | Navneet Sahu | GM – East & South | 2,760 |
| 5 | Nitin Dambe | GM – Technical | 2,760 |
| 6 | Poonam Malhotra | Product Technology Manager | 1,380 |
| 7 | Ravikumar Mutaka | DGM – Operations | 2,400 |
| 8 | Ravindra Pandit | Head – Human Resources | 2,400 |

Annexure 4 to the Directors' Report

Form No. AOC-2

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto is given below:-

1. Details of contracts or arrangements or transactions not at arm's length basis

| | | |
|----|---|------|
| a) | Name(s) of the related party and nature of relationship | N.A. |
| b) | Nature of contracts/arrangements/transactions | N.A. |
| c) | Duration of the contracts / arrangements/transactions | N.A. |
| d) | Salient terms of the contracts or arrangements or transactions including the value, if any | N.A. |
| e) | Justification for entering into such contracts or arrangements or transactions | N.A. |
| f) | Date(s) of approval by the Board | N.A. |
| g) | Amount paid as advances, if any: | N.A. |
| h) | Date on which the special resolution was passed in general meeting as required under first proviso to section 188 | N.A. |

2. Details of material contracts or arrangement or transactions at arm's length basis

| | | | |
|----|--|---|---|
| a) | Name(s) of the related party and nature of relationship | Henkel Chembond Surface Technologies Limited. (Joint Venture Company) | Chembond Solenis Water Technologies Limited (Subsidiary Company) |
| b) | Nature of contracts/arrangements/ transactions | Sale of goods | Sale of goods |
| c) | Duration of the contracts / arrangements/transactions | As per agreements or mutual arrangements | As per agreements or mutual arrangements |
| d) | Salient terms of the contracts or arrangements or transactions including the value, if any | As per agreements or mutual arrangements | As per agreements or mutual arrangements |
| e) | Justification for entering into such contracts or arrangements or transactions | Pursuant to the terms of joint venture agreement | Pursuant to the terms of joint venture agreement |
| f) | Date(s) of approval by the Board | Board's approval – 23 rd January, 2015. Members' approved the transactions through postal ballot vide results declared on 19 th March, 2015 | Board's approval – 23 rd January, 2015. Members' approved the transactions through postal ballot vide results declared on 19 th March, 2015 |
| g) | Amount paid as advances, if any: | - | - |

Annexure 5 to the Directors' Report

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Particulars required under Section 134 of the Companies Act, 2013 including rules framed thereunder:-

(A) Conservation of Energy

- (i) The steps taken or impact on conservation of energy:

The Company continues measures to reduce energy consumption at its plants and offices by improving energy intensive manufacturing process and installing solar power systems.

- (ii) The steps taken by the Company for utilizing alternate sources of energy:

The Company has installed solar power systems at its plants.

- (iii) The capital investment on energy conservation equipment: Nil

(B) Technology Absorption

- (i) The efforts made towards Technology Absorption:

The Company has an on-going process of Research & Development and the Company continues its efforts to assimilate group technology for introducing new products and improving product quality. The management is actively focused on imparting of high-end technology in India from within the country and across of the world.

- (ii) The benefits derived like product improvement, cost reduction, product development or import substitution:-

In view of the measures taken by the Company, the consumption of energy reduced by satisfactory levels.

- (iii) In case of imported technology (imported during the last three years reckoned from beginning of the financial year): N.A.

- (iv) The expenditure incurred on Research & Development

(₹ in Lakhs)

| Particulars | 2014-15 | 2013-14 |
|---------------------|---------------|--------------|
| Revenue Expenditure | 95.42 | 54.90 |
| Capital Expenditure | 7.73 | 18.00 |
| Total | 103.15 | 72.90 |

(C) Foreign Exchange Earnings and Outgo:

(₹ in Lakhs)

| Particulars | 2014-15 | 2013-14 |
|--|----------|----------|
| Total Foreign Exchange Earned in terms of actual inflows | 369.65 | 456.85 |
| Total Foreign Exchange Outgo in terms of actual outflows | 2,922.20 | 3,007.97 |

Annexure 6 to the Directors' Report
Form MGT-9

The Extract of the Annual Return as on the financial year ended 31.03.2015

I. Registration and other details

| | |
|---|--|
| CIN | L24100MH1975PLC018235 |
| Registration Date | 22 nd March, 1975 |
| Name of the Company | Chembond Chemicals Limited |
| Category / Sub-Category of the Company | Company having Share Capital |
| Address of the Registered Office and Contact details | EL-71, Chembond Centre, MIDC, Mahape, Navi Mumbai 400710 Tel No. (+9122) 3921 3000 Fax No. (+9122) 2768 1294 |
| Whether listed company | Yes |
| Name, address and contact details of Registrar and Transfer Agent, if any | TSR Darashaw Limited, 6-10, Haji Moosa Patrawala Indl. Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai – 400 011. Tel: 022 – 6656 8484 Fax: 022 – 6656 8494 E-mail : csg-unit@tsrdarashaw.com Web : www.tsrdarashaw.com |

II. Principal Business Activities of the Company

All the business activities contributing 10 % or more of the total turnover of the Company shall be stated:-

| Sr. No. | Name and Description of main products / services | NIC Code of the Product/ service | % to total turnover of the Company |
|---------|--|----------------------------------|------------------------------------|
| 1 | Chemicals | 2011 | 88.15 |

III. Particulars of Holding, Subsidiary and Associate Companies

| Name and address of the Company | CIN/GLN | Holding/ subsidiary/ associate | % of shares held | Applicable section |
|--|-----------------------|--------------------------------|------------------|--------------------|
| Chembond Solenis Water Technologies Ltd | U24110MH1984PLC143564 | Subsidiary | 55.00 | 2(87) |
| Chembond Clean Water Technologies Ltd | U29248MH2010PLC202124 | Subsidiary | 70.17 | 2(87) |
| Protochem Industries Pvt Ltd | U24200MH2000PTC125231 | Subsidiary | 99.99 | 2(87) |
| Chembond Inver Coatings Ltd | U24100MH2011PLC219324 | Subsidiary | 99.99 | 2(87) |
| Henkel Chembond Surface Technologies Ltd | U24243MH1996PLC103091 | Associate | 49.00 | 2(6) |
| Chembond Distribution Ltd | U24117MH2006PLC166227 | Associate | 47.00 | 2(6) |
| Chembond Enzyme Company Ltd | U24117MH2006PLC166224 | Associate | 49 | 2(6) |

IV. Shareholding Pattern (Equity share capital breakup as percentage of total equity)

i) Category-wise shareholding

| Category of shareholders | No. of shares held at the beginning of the year | | | | No. of shares held at the end of the year | | | | % Change during the year |
|--------------------------|---|----------|-----------|-------------------|---|----------|-----------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total shares | Demat | Physical | Total | % of Total shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual / HUF | 38,00,810 | 0 | 38,00,810 | 57.07 | 38,11,502 | 4,000 | 38,15,502 | 57.29 | 0.22 |
| b) Central Govt. | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| c) State Govt.(s) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |

| Category of shareholders | No. of shares held at the beginning of the year | | | | No. of shares held at the end of the year | | | | % Change during the year |
|---|---|-----------------|------------------|-------------------|---|-----------------|------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total shares | Demat | Physical | Total | % of Total shares | |
| d) Bodies Corporate | 7,62,815 | 0 | 7,62,815 | 11.45 | 7,63,915 | 0 | 7,63,915 | 11.47 | 0.02 |
| e) Banks / FI | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| f) Any Other.... | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Sub-total (A) (1):- | 45,63,625 | 0 | 45,63,625 | 68.52 | 45,75,417 | 4000 | 45,79,417 | 68.76 | 0.24 |
| (2) Foreign | | | | | | | | | |
| a) NRIs – Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| b) Other – Individuals | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| c) Bodies Corp. | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d) Banks / FI | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e) Any Other.... | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Sub-total (A) (2):- | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Total shareholding of Promoter (A) = (A) (1)+(A)(2) | 45,63,625 | 0 | 45,63,625 | 68.52 | 45,75,417 | 4,000 | 45,79,417 | 68.76 | 0.24 |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| a) Mutual Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| b) Banks / FI | 0 | 23,800 | 23,800 | 0.36 | 0 | 23,800 | 23,800 | 0.36 | 0.00 |
| c) Central Govt | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| d) State Govt(s) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| e) Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| f) Insurance Companies | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| g) FIs | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| h) Foreign Venture Capital Funds | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| i) Others (specify) | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Sub-total (B)(1):- | 0 | 23,800 | 23,800 | 0.36 | 0 | 23,800 | 23,800 | 0.36 | 0.00 |
| 2. Non-Institutions | | | | | | | | | |
| a) Bodies Corp. | 5,43,015 | 200 | 5,43,215 | 8.16 | 5,99,143 | 200 | 5,99,343 | 9.00 | 0.84 |
| i) Indian | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| ii) Overseas | | | | 0.00 | | | | 0.00 | 0.00 |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital upto ₹ 1 lakh | 4,11,213 | 1,42,092 | 5,53,305 | 8.31 | 4,87,981 | 1,26,092 | 6,14,073 | 9.22 | 0.91 |
| ii) Individual shareholders holding nominal share capital in excess of Rs 1lakh | 7,68,927 | 1,81,640 | 9,50,567 | 14.27 | 8,00,619 | 37,460 | 8,38,079 | 12.57 | -1.70 |
| c) Others (specify) | | | | | | | | | |
| Directors | 25,900 | 0 | 25,900 | 0.39 | 5,700 | 0 | 5,700 | 0.09 | -0.30 |
| Sub-total (B)(2):- | 17,49,055 | 3,23,932 | 20,72,987 | 31.12 | 18,93,443 | 1,63,752 | 20,57,195 | 30.88 | -0.24 |

| Category of shareholders | No. of shares held at the beginning of the year | | | | No. of shares held at the end of the year | | | | % Change during the year |
|---|---|-----------------|------------------|-------------------|---|-----------------|------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total shares | Demat | Physical | Total | % of Total shares | |
| Total Public Shareholding (B) = (B)(1)+(B)(2) | 17,49,055 | 3,47,732 | 20,96,787 | 31.48 | 18,93,443 | 1,87,552 | 20,80,995 | 31.24 | -0.24 |
| TOTAL (A)+(B) | 63,12,680 | 3,47,732 | 66,60,412 | 100.00 | 64,68,860 | 1,91,552 | 66,60,412 | 100.00 | 0.00 |
| C. Shares held by Custodian for GDRs & ADRs | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Promoter and Promoter Group | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Public | 0 | 0 | 0 | 0.00 | 0 | 0 | 0 | 0.00 | 0.00 |
| Grand Total (A+B+C) | 63,12,680 | 3,47,732 | 66,60,412 | 100.00 | 64,68,860 | 1,91,552 | 66,60,412 | 100.00 | 0.00 |

(ii) Shareholding of Promoters

| Sr. No | Shareholder's Name | Shareholding at the beginning of the year 01 st April, 2014 | | | Shareholding at the end of the year 31 st March, 2015 | | | % change in share holding during the year |
|--------------|---|--|--|----------------------------------|--|----------------------------------|--|---|
| | | No. of shares | % of shares pledged / encumbered to total shares | % of total shares of the Company | No. of shares | % of total shares of the Company | % of shares pledged / encumbered to total shares | |
| 1 | Alpana Sandeep Shah | 50,450 | 0.00 | 0.76 | 51,500 | 0.77 | 0.00 | 0.02 |
| 2 | Amrita Sameer Shah | 21,509 | 0.00 | 0.32 | 21,509 | 0.32 | 0.00 | 0.00 |
| 3 | Ashwin R Nagarwadia | 3,85,932 | 0.00 | 5.79 | 5,40,632 | 8.12 | 0.00 | 2.32 |
| 4 | Guloo P. Dastur | 2,00,900 | 0.00 | 3.02 | 2,00,900 | 3.02 | 0.00 | 0.00 |
| 5 | Jyoti N. Mehta | 34,740 | 0.00 | 0.52 | 34,740 | 0.52 | 0.00 | 0.00 |
| 6 | Kshitija N. Shah | 9,800 | 0.00 | 0.15 | 9,800 | 0.15 | 0.00 | 0.00 |
| 7 | Kumud A Nagarwadia | 1,54,700 | 0.00 | 2.32 | 0 | 0.00 | 0.00 | -2.32 |
| 8 | Mallika S Shah | 12,800 | 0.00 | 0.19 | 16,800 | 0.25 | 0.00 | 0.06 |
| 9 | Mamta N. Shah | 47,400 | 0.00 | 0.71 | 47,400 | 0.71 | 0.00 | 0.00 |
| 10 | Nikhil J Mehta | 21,400 | 0.00 | 0.32 | 21,400 | 0.32 | 0.00 | 0.00 |
| 11 | Nirmal V Shah | 3,14,283 | 0.00 | 4.72 | 3,14,565 | 4.72 | 0.00 | 0.00 |
| 12 | Padma V Shah | 7,47,557 | 0.00 | 11.22 | 7,47,557 | 11.22 | 0.00 | 0.00 |
| 13 | Shah Parul | 27,400 | 0.00 | 0.41 | 27,800 | 0.42 | 0.00 | 0.01 |
| 14 | Perviz H. Dastur | 1,57,060 | 0.00 | 2.36 | 1,57,060 | 2.36 | 0.00 | 0.00 |
| 15 | Raunaq S Shah | 3,400 | 0.00 | 0.05 | 3,400 | 0.05 | 0.00 | 0.00 |
| 16 | Sameer V. Shah | 3,08,384 | 0.00 | 4.63 | 3,08,484 | 4.63 | 0.00 | 0.00 |
| 17 | Sandeep Shah | 40,192 | 0.00 | 0.60 | 42,092 | 0.63 | 0.00 | 0.03 |
| 18 | Shah Bhadresh | 1,12,460 | 0.00 | 1.69 | 1,12,460 | 1.69 | 0.00 | 0.00 |
| 19 | Shah Kalpana Sunil | 21,600 | 0.00 | 0.32 | 21,600 | 0.32 | 0.00 | 0.00 |
| 20 | Shah Sunil Dahyalal | 25,500 | 0.00 | 0.38 | 25,500 | 0.38 | 0.00 | 0.00 |
| 21 | Shilpa S. Shah | 31,072 | 0.00 | 0.47 | 31,072 | 0.47 | 0.00 | 0.00 |
| 22 | Trupti A Nagarwadia | 1,48,500 | 0.00 | 2.23 | 1,48,500 | 2.23 | 0.00 | 0.00 |
| 23 | Vinod D Shah | 9,23,771 | 0.00 | 13.87 | 8,80,331 | 13.22 | 0.00 | -0.65 |
| 24 | Vinod D Shah HUF | 50,400 | 0.00 | 0.76 | 50,400 | 0.76 | 0.00 | 0.76 |
| 25 | Visan Holdings And Financial Services Pvt Ltd | 6,12,518 | 0.00 | 9.20 | 6,13,618 | 9.21 | 0.00 | 0.02 |
| 26 | Finor Piplaj Chemicals Ltd | 66,600 | 0.00 | 1.00 | 66,600 | 1.00 | 0.00 | 0.00 |
| 27 | GTK Intermediates Pvt Ltd | 3,800 | 0.00 | 0.06 | 3,800 | 0.06 | 0.00 | 0.00 |
| 28 | S and N Ventures Ltd | 79,897 | 0.00 | 1.20 | 79,897 | 1.20 | 0.00 | 0.00 |
| TOTAL | | 45,63,625 | 0.00 | 68.52 | 45,79,417 | 68.76 | 0.00 | 0.24 |

(iii) Change in Promoters' Shareholding

| Sr. No. | Name of the ShareHolder | Shareholding | | Transaction details | | | Cumulative holding during the year | |
|---------|---|--|----------------------------------|---------------------|---------|----------|------------------------------------|----------------------------------|
| | | No of Shares of shares at the beginning of the year (01-04-2014) | % of total Shares of the company | Date | Sale | Purchase | No.of Shares | % of total Shares of the company |
| 1 | Alpana Sandeepbhai Shah | 50,450 | 0.76 | 1-Apr-14 | | 1,000 | 51,450 | 0.76 |
| | | | | 19-Sep-14 | | 50 | 51,500 | 0.77 |
| | | | | 31-Mar-15 | | | 51,500 | 0.77 |
| 2 | Ashwin Ratilal Nagarwadia | 385,932 | 5.79 | 1-Apr-14 | | | 385,932 | 5.79 |
| | | | | 31-Mar-15 | -31552 | 186,252 | 540,632 | 8.12 |
| 3 | Kumud A. Nagarwadia | 154,700 | 2.32 | 1-Apr-14 | | | 154,700 | 2.32 |
| | | | | 31-Mar-15 | -154700 | | - | - |
| 4 | Mallika Sameer Shah | 12,800 | 0.19 | 1-Apr-14 | | | 12,800 | 0.19 |
| | | | | 24-Jul-14 | | 4,000 | 16,800 | 0.25 |
| | | | | 31-Mar-15 | | | 16,800 | 0.25 |
| 5 | Nirmal Vinod Shah | 314,283 | 4.72 | 1-Apr-14 | | | 314,283 | 4.72 |
| | | | | 4-Apr-14 | | 320 | 314,603 | 4.72 |
| | | | | 18-Apr-14 | -200 | 200 | 314,603 | 4.72 |
| | | | | 4-Jul-14 | -138 | | 314,465 | 4.72 |
| | | | | 31-Oct-14 | | 100 | 314,565 | 4.72 |
| | | | | 31-Mar-15 | | | 314,565 | 4.72 |
| 6 | Sameer Vinod Shah | 308,384 | 4.63 | 1-Apr-14 | | | 308,384 | 4.63 |
| | | | | 31-Oct-14 | | 100 | 308,484 | 4.63 |
| | | | | 31-Mar-15 | | | 308,484 | 4.63 |
| 7 | Sandeep H Shah | 40,192 | 0.60 | 1-Apr-14 | | | 40,192 | 0.60 |
| | | | | 16-May-14 | | 1,900 | 42,092 | 0.63 |
| | | | | 31-Mar-15 | | | 42,092 | 0.63 |
| 8 | Shah Parul | 27,400 | 0.41 | 1-Apr-14 | | | 27,400 | 0.41 |
| | | | | 13-Feb-15 | | 400 | 27,800 | 0.42 |
| | | | | 31-Mar-15 | | | 27,800 | 0.42 |
| 9 | Vinod D Shah | 873,371 | 13.11 | 1-Apr-14 | | | 873,371 | 13.11 |
| | | | | 1-Aug-14 | | 3,260 | 876,631 | 13.16 |
| | | | | 22-Aug-14 | | 3,700 | 880,331 | 13.22 |
| | | | | 31-Mar-15 | | | 880,331 | 13.22 |
| 10 | Visan Holdings And Financial Services Private Limited | 612,518 | 9.20 | 1-Apr-14 | | | 612,518 | 9.20 |
| | | | | 12-Sep-14 | | 1,000 | 613,518 | 9.21 |
| | | | | 31-Oct-14 | | 100 | 613,618 | 9.21 |
| | | | | 31-Mar-15 | | | 613,618 | 9.21 |

Other than the Promoters mentioned above, there is no change in any other Promoter shareholding.

(iv) Shareholding Pattern of top ten shareholders (other than Promoters and holders of GDRs and ADRs)

| Sr. No. | Name of the ShareHolder | Shareholding | | Transaction details | | | Cumulative holding during the year | |
|---------|---------------------------------------|--|----------------------------------|--|---|--|--|--|
| | | No of Shares of shares at the beginning of the year (01-04-2014) | % of total Shares of the company | Date | Sale | Purchase | No.of Shares | % of total Shares of the company |
| 1 | Dena Bank | 23,800 | 0.36 | 1-Apr-2014 31-Mar-15 | | | 23,800 23,800 | 0.36 0.36 |
| 2 | Nritya A Laloo | 24,760 | 0.37 | 1-Apr-14 31-Mar-15 | | | 24,760 24,760 | 0.37 0.37 |
| 3 | Rajni S Shah | 72,800 | 1.09 | 1-Apr-14 6-Jun-14 31-Mar-15 | -72800 | | 72,800 - - | 1.09 - - |
| 4 | Ajay Chinubhai Laloo | 114,100 | 1.71 | 1-Apr-14 10-Oct-14 17-Oct-14 24-Oct-14 31-Oct-14 7-Nov-14 21-Nov-14 23-Jan-15 6-Feb-15 13-Feb-15 31-Mar-15 | -57430 -13950 -400 -220 -100 -540 -640 -1266 | 57630 13700 3000 | 114,100 114,300 114,050 113,650 113,430 113,330 112,790 115,790 115,150 113,884 113,884 | 1.71 1.71 1.70 1.69 1.69 1.69 1.68 0.05 1.67 1.65 1.71 |
| 5 | Ajay Sheth | 388,735 | 5.82 | 1-Apr-14 4-Apr-14 11-Apr-14 25-Apr-14 30-Jun-14 4-Jul-14 18-Jul-14 24-Jul-14 1-Aug-14 21-Nov-14 20-Feb-15 31-Mar-15 | -6037 -29828 | 389 949 505 1140 270 1051 169 240 | 388,735 389,124 390,073 390,578 391,718 391,988 393,039 393,208 393,448 387,411 357,583 357,583 | 5.82 5.83 5.84 5.85 5.87 5.87 5.89 5.89 5.89 5.80 5.36 5.36 |
| 6 | Bina Sheth | 273,619 | 4.10 | 1-Apr-14 18-Jul-14 5-Sep-14 21-Nov-14 20-Feb-15 27-Feb-15 31-Mar-15 | -3816 -35245 -33000 -4959 | 1 | 273,619 273,620 269,804 234,559 201,559 196,600 196,600 | 4.10 0.00 4.04 3.51 3.02 2.94 2.94 |
| 7 | Ceedee Agencies Pvt Ltd | 43,754 | 0.66 | 1-Apr-14 31-Mar-15 | | | 43,754 43,754 | 0.66 0.66 |
| 8 | Chartered Finance And Leasing Limited | 79,529 | 1.19 | 1-Apr-14 31-Mar-15 | | | 79,529 79,529 | 1.19 1.19 |

| Sr. No. | Name of the ShareHolder | Shareholding | | Transaction details | | | Cumulative holding during the year | |
|-----------|---|--|----------------------------------|---------------------|--------|----------|------------------------------------|----------------------------------|
| | | No of Shares of shares at the beginning of the year (01-04-2014) | % of total Shares of the company | Date | Sale | Purchase | No.of Shares | % of total Shares of the company |
| 9 | Quest Investment Advisors Private Limited | 364,433 | 5.46 | 1-Apr-14 | | | 364,433 | 5.46 |
| | | | | 25-Apr-14 | | 21 | 364,454 | 5.46 |
| | | | | 2-May-14 | | 600 | 365,054 | 5.47 |
| | | | | 9-May-14 | | 1680 | 366,734 | 5.49 |
| | | | | 16-May-14 | | 6285 | 373,019 | 5.59 |
| | | | | 23-May-14 | | 185 | 373,204 | 5.59 |
| | | | | 30-May-14 | | 4334 | 377,538 | 5.65 |
| | | | | 6-Jun-14 | | 863 | 378,401 | 5.67 |
| | | | | 13-Jun-14 | | 199 | 378,600 | 5.67 |
| | | | | 31-Mar-15 | | | 378,600 | 5.67 |
| 10 | Surekhaben Priyavadanbhai Shah | 0 | - | 1-Apr-14 | | | - | - |
| | | | | 6-Jun-14 | | 72800 | 72,800 | 1.09 |
| | | | | 11-Jul-14 | -72800 | 72800 | 72,800 | 1.09 |
| | | | | 18-Jul-14 | -3811 | | 68,989 | 1.03 |
| | | | | 24-Jul-14 | -3489 | | 65,500 | 0.98 |
| | | | | 25-Jul-14 | -500 | | 65,000 | 0.97 |
| | | | | 1-Aug-14 | -4500 | | 60,500 | 0.91 |
| | | | | 8-Aug-14 | -2500 | | 58,000 | 0.87 |
| | | | | 15-Aug-14 | -2500 | | 55,500 | 0.83 |
| | | | | 22-Aug-14 | -6000 | | 49,500 | 0.74 |
| | | | | 29-Aug-14 | -2500 | | 47,000 | 0.70 |
| | | | | 5-Sep-14 | -8450 | | 38,550 | 0.58 |
| | | | | 12-Sep-14 | -3555 | | 34,995 | 0.52 |
| | | | | 19-Sep-14 | -4495 | | 30,500 | 0.46 |
| | | | | 30-Sep-14 | -500 | | 30,000 | 0.45 |
| | | | | 17-Oct-14 | -250 | | 29,750 | 0.45 |
| | | | | 24-Oct-14 | -250 | | 29,500 | 0.44 |
| | | | | 31-Oct-14 | -1000 | | 28,500 | 0.43 |
| | | | | 14-Nov-14 | -300 | | 28,200 | 0.42 |
| | | | | 21-Nov-14 | -1950 | | 26,250 | 0.39 |
| | | | | 28-Nov-14 | -62 | | 26,188 | 0.39 |
| | | | | 5-Dec-14 | -938 | | 25,250 | 0.38 |
| | | | | 12-Dec-14 | -250 | | 25,000 | 0.37 |
| | | | | 9-Jan-15 | -301 | | 24,699 | 0.37 |
| | | | | 16-Jan-15 | -199 | | 24,500 | 0.37 |
| | | | | 30-Jan-15 | -300 | | 24,200 | 0.36 |
| 6-Feb-15 | -1200 | | 23,000 | 0.34 | | | | |
| 13-Feb-15 | -900 | | 22,100 | 0.33 | | | | |
| 20-Feb-15 | -200 | | 21,900 | 0.33 | | | | |
| 27-Feb-15 | -400 | | 21,500 | 0.32 | | | | |
| 6-Mar-15 | -300 | | 21,200 | 0.32 | | | | |
| 20-Mar-15 | -100 | | 21,100 | 0.32 | | | | |
| 27-Mar-15 | -200 | | 20,900 | 0.31 | | | | |
| 31-Mar-15 | | | 20,900 | 0.31 | | | | |
| 11 | Vrushal Trading Private Limited | 20,642 | 0.31 | 1-Apr-14 | | | 20,642 | 0.31 |
| | | | | 31-Mar-15 | | | 20,642 | 0.31 |

(v) Shareholding of Directors and Key Managerial Personnel

| Sr. No. | Name of the ShareHolder | Shareholding | | Transaction details | | | Cumulative holding during the year | |
|---------|-------------------------|--|----------------------------------|---------------------|------|----------|------------------------------------|----------------------------------|
| | | No of Shares of shares at the beginning of the year (01-04-2014) | % of total Shares of the company | Date | Sale | Purchase | No.of Shares | % of total Shares of the company |
| 1 | Nirmal Vinod Shah | 314,283 | 4.72 | 1-Apr-14 | | | 314,283 | 4.72 |
| | | | | 4-Apr-14 | | 320 | 314,603 | 4.72 |
| | | | | 18-Apr-14 | -200 | 200 | 314,603 | 4.72 |
| | | | | 4-Jul-14 | -138 | | 314,465 | 4.72 |
| | | | | 31-Oct-14 | | 100 | 314,565 | 4.72 |
| | | | | 31-Mar-15 | | | 314,565 | 4.72 |
| 2 | Sameer Vinod Shah | 308,384 | 4.63 | 1-Apr-14 | | | 308,384 | 4.63 |
| | | | | 31-Oct-14 | | 100 | 308,484 | 4.63 |
| | | | | 31-Mar-15 | | | 308,484 | 4.63 |
| 3 | Rashmi Sameer Gavli | 0 | 0 | 1-Apr-14 | | | 0 | - |
| | | | | 31-Mar-15 | | | 0 | - |
| 4 | Varadvinayak Khambete | 0 | 0 | 1-Apr-14 | | | 0 | - |
| | | | | 31-Mar-15 | | | 0 | - |

V. Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment (₹ in Lakhs)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|----------------------------------|-----------------|----------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 1,321.85 | 1,159.57 | 0 | 2,481.42 |
| ii) Interest due but not paid | 0 | 0 | 0 | 0 |
| iii) Interest accrued but not due | 11.48 | 26.74 | 0 | 38.22 |
| Total (i+ii+iii) | 1,333.33 | 1,186.31 | 0 | 2,519.64 |
| Change in Indebtedness during the financial year | | | | |
| Addition | 3,890.61 | 1,357.80 | 0 | 5,248.41 |
| Reduction | 3,690.45 | 1,862.53 | 0 | 5,552.98 |
| Net Change | 200.16 | (504.73) | 0 | (304.57) |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 1,522.00 | 654.83 | 0 | 2,176.83 |
| ii) Interest due but not paid | 0 | 0 | 0 | 0 |
| iii) Interest accrued but not due | 7.83 | 10.34 | 0 | 18.17 |
| Total (i+ii+iii) | 1,529.83 | 665.17 | 0 | 2,195.00 |

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

| Sr. No. | Particulars of Remuneration | Sameer V. Shah (MD) | Nirmal V. Shah (MD) | Total Amount (₹ in Lakhs) |
|---------|---|---------------------|---------------------|---------------------------|
| 1. | Gross salary | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 36.00 | 36.00 | 72.00 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | - | - | - |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | - | - | - |
| 2. | Stock Option | - | - | - |
| 3. | Sweat Equity | - | - | - |
| 4. | Commission - as % of profit - others, specify | - | - | - |
| 5. | Others, please specify | - | - | - |
| | Total (A) | 36.00 | 36.00 | 72.00 |
| | Ceiling as per the Act | 36.00 | 36.00 | 72.00 |

B. Remuneration to other Directors:

| Sr. No. | Particulars of Remuneration | Name of Directors | | | | | | | Total Amount (₹ in Lakhs) |
|---------|--|-------------------|----------------|---------------|--------------|------------------|----------------------|------------------|---------------------------|
| | | Mahendra Ghelani | Sushil Lakhani | Jawaher Mehta | O.P.Malhotra | Saraswati Sankar | Ashwin R. Nagarwadia | Perviz H. Dastur | |
| 1 | Independent Directors | | | | | | | | |
| | - Fee for attending board / committee meetings | 3.00 | 2.00 | 1.00 | 1.00 | 0.00 | - | - | 7.00 |
| | - Commission | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | - | - | 0.00 |
| | - Others, please specify | N.A. | N.A. | N.A. | N.A. | N.A. | - | - | N.A. |
| | Total (B) (1) | 3.00 | 2.00 | 1.00 | 1.00 | 0.00 | - | - | 7.00 |
| 2 | Other Non Executive Directors | | | | | | | | |
| | - Fee for attending board / committee meetings | - | - | - | - | - | 4.00 | 2.00 | 6.00 |
| | - Commission | - | - | - | - | - | 2.00 | 0.00 | 2.00 |
| | - Others, please specify | - | - | - | - | - | N.A. | N.A. | N.A. |
| | Total (B)(2) | - | - | - | - | - | 6.00 | 2.00 | 8.00 |
| | Total (B)(1)+(B)(2) | 3.00 | 2.00 | 1.00 | 1.00 | 0.00 | 6.00 | 2.00 | 15.00 |

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:

| Sr. No. | Particulars of Remuneration | Key Managerial Personnel | | |
|---------|---|--------------------------|-------------------|---------------------------|
| | | Chief Financial Officer | Company Secretary | Total Amount (₹ in Lakhs) |
| 1. | Gross salary | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 25.80 | 7.00 | 32.80 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | 0.00 | 0.00 | 0.00 |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | 0.00 | 0.00 | 0.00 |
| 2. | Stock Option | 0.00 | 0.00 | 0.00 |
| 3. | Sweat Equity | 0.00 | 0.00 | 0.00 |
| 4. | Commission - as % of profit - others, specify... | 0.00 | 0.00 | 0.00 |
| 5. | Others | 0.00 | 0.00 | 0.00 |
| | Total (C) | 25.80 | 7.00 | 32.80 |

VII. Penalties / Punishment/ Compounding of Offences

| Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment/ Compounding fees imposed | Authority [RD / NCLT / COURT] | Appeal made, if any (give Details) |
|-------------------------------------|------------------------------|-------------------|---|-------------------------------|------------------------------------|
| A. COMPANY | | | | | |
| Penalty | | | None | | |
| Punishment | | | | | |
| Compounding | | | | | |
| B. DIRECTORS | | | | | |
| Penalty | | | None | | |
| Punishment | | | | | |
| Compounding | | | | | |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| Penalty | | | None | | |
| Punishment | | | | | |
| Compounding | | | | | |

On behalf of the Board

Sameer V. Shah
Chairman & Managing Director

Nirmal V. Shah
Vice Chairman & Managing Director

Mumbai
May 21, 2015

Report on Corporate Governance

Philosophy on Corporate Governance

The philosophy underlying Corporate Governance seeks to create a system of “Checks and balances” based on transparency, integrity, clarity, and consistency in the dealings of the Company with its stakeholders. Good Governance ensures that the best corporate practices are followed by a Company. Implementation of good governance indicates not only the compliance of the laws and regulations of the land but also indicates the values, practices, and culture of your organization. Your Company is committed to adopt the best Corporate Governance practices and endeavors continuing to implement the code of Corporate Governance in its true spirit. Your Company has made Corporate Governance a practice and a process of development right across the Company.

Board of Directors

The Company is managed by the Board of Directors. The Board formulates strategy, regularly reviews the performance of the Company, and ensures that the previously agreed objectives are met on a consistent basis. The Managing Directors are responsible for day-to-day operations of the Company.

The Chembond Board of Directors has an ideal composition of executive and non-executive directors with one woman director and being Non-executive Directors of which more than half of the Directors are independent.

- A.** The composition of the Board as on 31st March, 2015 and details of Board and Annual General Meetings held and the attendance of the Directors is as follows:

| Name of the Directors | Nature of Directorship | No. of Board Meetings attended | Attendance at last AGM | No. of Directorships in other Public companies* | Number of Committee Memberships held ** | Number of Chairman Ships held ** |
|-----------------------|-----------------------------------|--------------------------------|------------------------|---|---|----------------------------------|
| Sameer V. Shah | Chairman & Managing Director | 6 | Yes | 8 | 1 | - |
| Nirmal V. Shah | Vice Chairman & Managing Director | 6 | Yes | 9 | 1 | - |
| Ashwin R. Nagarwadia | Non – Executive Director | 4 | No | 5 | 1 | 1 |
| Perviz H. Dastur | Non – Executive Director | 4 | Yes | 2 | 1 | - |
| Mahendra K. Ghelani | Independent Director | 4 | No | 1 | 1 | 1 |
| O. P. Malhotra | Independent Director | 4 | Yes | 2 | 1 | - |
| Jawahar I. Mehta | Independent Director | 3 | Yes | - | - | - |
| Sushil U. Lakhani | Independent Director | 6 | Yes | 1 | 1 | - |
| Saraswati Shankar | Independent Director | - | N.A. | - | - | - |

* Directorships in Foreign Companies, Private Limited Companies, Companies under Section 8 of the Companies Act, 2013 are excluded for this purpose.

** Considered Membership/Chairmanship of Audit Committees and Stakeholders Grievance Committees of Public Limited Companies, and Private Limited Companies which are wholly Owned Subsidiary Companies only.

During the year, Meetings of Board of Directors were held on 24th May, 2014, 9th August, 2014, 8th November, 2014, 23rd January, 2015, 14th February, 2015 and 24th March, 2015.

B. Board Meeting & Procedures

Board members are informed well in advance about the schedule of the Meetings. Appropriate documents are sent in advance to each Director. In order to enable the Board to discharge its responsibilities effectively, the Managing Directors review the overall Company performance by placing a functional report before the Board. The functions performed by the Board, inter alia, include review of:

- * Strategy and business plans.
- * Annual operating and capital expenditure budgets.
- * Quarterly results of the Company.
- * Minutes of the Meeting of Audit and other Committees of the Board.

- * Information on recruitment and remuneration of senior officers.
- * Investment and exposure limits .
- * Business risk analysis and control.
- * Compliance with statutory / regulatory requirements.
- * Review of major legal issues.
- * Transaction pertaining to the purchase or disposal of property, major provisions and write offs.

C. Details of Directors being re-appointed

As per statute, two third of the Directors (other than independent) are eligible for retiring. One third of these retiring Directors are required to retire every year and if, eligible, these Directors qualify for reappointment.

Mr. Perviz H. Dastur & Mr. Ashwin R. Nagarwadia retire by rotation at the ensuing Annual General meeting and being eligible, offer themselves for reappointment.

A brief resume of Directors appointed / eligible for reappointment along with the additional information required under clause 49 (VI) (A) of the Listing Agreement is as under:

| No. | Name | Date of Birth | Qualification |
|-----|--------------------------|---------------|-----------------|
| 1 | Mr. Perviz H. Dastur | 31.01.1937 | B.Com, MBA, ACA |
| 2 | Mr. Ashwin R. Nagarwadia | 20.09.1937 | BE Mechanical |

D. Code of Conduct

The Board has laid down a code of conduct for all the Members of the Board and senior management of the Company which is also posted on the Company's website. All Board Members and senior management have complied with the code of conduct and the disclosure in that respect is also contained in the Directors' Report of the Company.

II. Committees of the Board

A. Audit Committee

The constitution of the Audit Committee as of 31st March, 2015 is as follows:

| Name of the Member | Designation | No. of meetings attended |
|---------------------|-------------|--------------------------|
| Mahendra K. Ghelani | Chairman | 3 |
| Perviz H. Dastur | Member | 4 |
| Sushil U. Lakhani | Member | 4 |
| O. P. Malhotra | Member | 1 |

During the year, five meetings of the audit Committee were held - on 24th May, 2014, 9th August, 2014, 8th November, 2014, 14th February, 2015 and 24th March, 2015. The Committee has members with sound knowledge of business, accounting and law and deals with accounting matters, financial reporting and internal controls.

The Audit Committee has the powers and performs its role as per the guidelines set out in the amended Listing Agreement and Companies Act, 2013. The Committee monitors any proposed changes in accounting policy, accounting implications of major transactions and also closely reviews the adequacy of internal audit controls and formulates and monitors the annual audit plan. The Committee also reviews with the management the annual financial statements and auditors' report, quarterly financial statements, the statement of uses/application of funds through an issue, monitors the auditors' independence and performance & effectiveness of process, performance of statutory & internal auditors, adequacy of internal control systems, functioning of the Whistle Blower mechanism, management discussion and analysis of financial condition and result of operation, statement of significant related party transactions, management letter of internal control weaknesses, internal audit reports, and matters related to appointment, removal and terms of remuneration of internal and statutory auditors of the Company and the financial statements of subsidiary Companies. The Auditors, Internal Auditors, Managing Directors, concerned executives, Non-Executive Directors and Chief Financial Officer are invitees to the Audit Committee Meetings. The Company Secretary acts as the Secretary to the Committee. The previous Annual General Meeting (AGM) of the Company was held on 9th August, 2014 and was attended by Mr. Sushil U. Lakhani, Chairman of the Audit Committee. Terms of Reference the Audit Committee are in accordance with those specified in Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013.

B. Nomination and Remuneration Committee

In compliance with Section 178 of the Companies Act, 2013 & clause 49 of the Listing Agreement, the Board has renamed the existing "Remuneration Committee" as the "Nomination and Remuneration Committee."

The constitution of the Nomination and Remuneration Committee as of 31st March, 2015 is as follows:

| Name of the Member | Designation | No. of meetings attended |
|----------------------|-------------|--------------------------|
| Mahendra K. Ghelani | Chairman | 2 |
| Ashwin R. Nagarwadia | Member | 2 |
| Jawahar I. Mehta | Member | 2 |

During the year, meetings of the Nomination and Remuneration Committee were held - on 14th February, 2015 & 24th March, 2015.

Nomination and Remuneration Committee has the powers to formulate the criteria for determining qualifications, positive attributes & independence of a Director and recommend to the Board a policy relating to the remuneration of the Directors, key managerial personnel and senior management employees, criteria for evaluation of Independent Directors & the Board, devising a policy on Board diversity and such other things prescribed under the Act and Listing Agreement.

Remuneration of Directors :

i) Remuneration to Executive Directors:

| Names | Position | Salary and Perquisite ¹ (₹) |
|----------------|-----------------------------------|--|
| Sameer V. Shah | Chairman & Managing Director | 36 Lacs |
| Nirmal V. Shah | Vice Chairman & Managing Director | 36 Lacs |

Break up of above ₹ 36 Lac is as follows:-

| | |
|--------------------------|----------------------------------|
| Basic | ₹ 18 Lac |
| Perquisites & allowances | ₹ 14.4 Lac |
| Bonus | ₹ 3.60 Lac |
| Period of agreement | Upto 31 st July, 2016 |
| Notice Period | N.A. |
| Severance fees | NIL |
| Stock Options | NIL |

¹Excluding perquisites not included in the computation of the ceiling limits of remuneration.

ii) Details of Remuneration paid to Non Executive Directors:

The details of sitting fees paid to Non-Executive Directors for the year ended 31st March, 2015 are as specified below:

| Name | Amount in ₹ | No. of Shares held as of 31.03.2015 | Stock Options granted to Non-Executive Directors |
|----------------------|-------------|-------------------------------------|--|
| Perviz H. Dastur | 2,00,000 | 1,57,060 | Nil |
| Ashwin R. Nagarwadia | 6,00,000 | 5,40,632 | Nil |
| Mahendra K. Ghelani | 3,00,000 | 4,500 | 4,800 |
| Jawahar I. Mehta | 1,00,000 | 1,200 | 4,800 |
| O. P. Malhotra | 1,00,000 | Nil | 4,800 |
| Sushil U. Lakhani | 2,00,000 | Nil | 4,800 |
| Saraswati Sankar | Nil | Nil | Nil |

- During the year the Company has paid commissions of ₹ 200,000 to Mr. Ashwin R. Nagarwadia.
- The Compensation Committee has approved a grant of 4,800 stock options to each Independent Director at their meeting held on 8th September, 2012 in accordance with Chembond Chemicals Employees' Stock Option Plan, 2012.

Remuneration Policy For Matters Provided Under Section 178(3)

Criteria for determining qualifications, positive attributes and independence of a director:

A. Appointment criteria and qualifications:-

- The Nomination & Remuneration Committee (NRC) shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The NRC has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- The provisions of the Act and Listing Agreement (LA) should be adhered to while considering the appointment of a director or KMP or senior management personnel.

B. Independence of Director (ID):-

- Appointment of IDs shall be in accordance with the provisions of the Companies Act, 2013 (Act) as well as LA.
- NRC should check whether a person to be nominated or appointed as an ID meets the criterion of independence as prescribed under Sec. 149(6) of the Act and Clause 49 of the LA.
- While nominating any person to be appointed as an ID, the Committee should satisfy itself that the person gives a declaration as prescribed under the Act declaring that he/she meets the criterion of independence prescribed under the Act and LA.

Policy relating to remuneration for Directors, KMP and other employees:

A. Remuneration duties :- The duties of the NRC in relation to remuneration matters include:

- To consider and determine the Remuneration Policy, based on the performance and to ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate members of the Board of the quality required to run the Company successfully and such other factors as the NRC shall deem appropriate all elements of the remuneration of the members of the Board
- To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks
- To ensure that the remuneration to Directors, KMP, and Senior Management Personnel of the Company involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.
- To delegate any of its powers to one or more of its members or the Secretary.
- To consider any other matters as may be requested by the Board.

B. Remuneration for the Directors, KMP & Senior Management Personnel:-

- The remuneration / compensation / commission etc. to Director, KMP and Senior Management Personnel will be determined by the NRC and recommended to the Board for approval.
- The remuneration / compensation / commission etc. shall be in accordance with the provisions of the Act and LA, if applicable, and the Articles of Association of the Company, and shall be subject to the prior/post approval of the shareholders of the Company and/or Central Government, wherever required under the law.
- Increments to the existing remuneration/compensation structure may be recommended by NRC to the Board in accordance with the law.
- Remuneration to Managing Director/ Whole-time Director shall also be in accordance with the agreement entered into with him
- Fixed pay:-

The Director, KMP and Senior Management Personnel shall be eligible for a monthly/yearly remuneration as may be approved by the Board on the recommendation of the NRC. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the NRC and approved by the shareholders and/or the Central Government, wherever required.

- **Minimum Remuneration:-**
If circumstances demand, the Company may pay remuneration to its managerial personnel i.e. Managing Director or Whole-time Director or Manager in accordance with the provisions of Sec. 196, 197, Schedule V and other applicable provisions of the Act.
- **Provisions for excess remuneration:-**
Remuneration drawn or received, directly or indirectly, in excess of the limits prescribed under the Act, shall be dealt with as prescribed under the Act.
- **Sitting fee, reimbursement of expenses and profit related commission:-**
A director may receive remuneration by way of fee (sitting fee) for attending meetings of Board or Committee thereof as per Sec. 197(5) provided that the amount of such fee shall not exceed ₹ One Lac per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time. Such sitting fee to independent director and woman director shall not be less than sitting fee payable to other directors.
Independent director may receive reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members.
- **Stock Options:-**
Independent Directors shall not be entitled to any stock option of the Company.

C. Stakeholders' Grievance Committee

In compliance with Section 178 of the Companies Act, 2013, the Board has renamed the existing "Share Transfer Committee" as the "Stakeholders' Grievance Committee".

The constitution of Stakeholders Grievance Committee as of 31st March, 2015 is as follows:

| Name of the Member | Designation | No. of meetings attended |
|----------------------|-------------|--------------------------|
| Ashwin R. Nagarwadia | Chairman | 7 |
| Sameer V. Shah | Member | 7 |
| Nirmal V. Shah | Member | 7 |

During the year, seven meetings of the Stakeholders Grievance Committee were held on 25th April, 2014, 15th July, 2014, 31st October, 2014, 8th November, 2014, 23rd January, 2015, 14th February, 2015 and 24th March, 2015.

The Committee deals with a matter relating to transfer / transmission of Shares, issue of duplicate share certificates, review of shares dematerialized. Mr. Varadvinayak Khambete, Company Secretary, is responsible for coordinating all such matters and those relating to share transfer and shareholders grievances with the Registrar and Transfer Agent. During the year, the Company has received 24 shareholders' complaints of which 21 were resolved during the year and 3 were pending on SEBI's SCORES portal.

D. Executive Committee

The constitution of the Executive Committee as of 31st March, 2015 is as follows :

| Name of the Member | Designation |
|--------------------|-------------|
| Sameer V. Shah | Chairman |
| Nirmal V. Shah | Member |

The Board of Directors has delegated to the Executive Committee the authority to supervise and monitor the day-to-day affairs of the Company. The Executive Committee of the Board of Directors of the Company conducts a monthly review meeting (MRM) and such other meeting as may be decided by the Committee members for a detail business review to which all Head of Departments (HOD), Business/Divisional Heads are the invitees.

E. Compensation Committee

The constitution of the Compensation Committee as of 31st March, 2015 is as follows :

| Name of the Member | Designation |
|---------------------|-------------|
| Mahendra K. Ghelani | Chairman |
| Sameer V. Shah | Member |
| O. P. Malhotra | Member |

During the year, no meeting of the compensation committee was held during the year.

The Committee deals with matter relating to the administration and superintendence of the Chembond Chemicals Employees' Stock Option Plan, 2012 (ESOP) and compliance as per the Securities and Exchange Board of India (Insider Trading) Regulations 1992 and Securities Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations 1995.

E. Risk Management Committee

The constitution of the Risk Management Committee as of 31st March, 2015 is as follows:

| Name of the Member | Designation | No. of meetings attended |
|----------------------|-------------|--------------------------|
| Mahendra K. Ghelani | Chairman | 5 |
| Ashwin R. Nagarwadia | Member | 6 |
| Perviz H. Dastur | Member | 2 |
| Sushil U. Lakhani | Member | -- |

During the year, six meetings of the Risk Management Committee were held on 9th August, 2014, 8th November, 2014, 10th January, 2015, 23rd January, 2015, 14th February, 2015 and 24th March, 2015.

The Committee deals with matter relating to the identify and assessed material business risk, technological risk, strategic business risk, operational risk, financial risk, human resource risk and legal & regulatory risk.

F. CSR Committee

The Company has voluntarily constituted a CSR Committee as required under Section 135 of the Companies Act, 2013.

The constitution of the CSR Committee as of 31st March, 2015 is as follows:

| Name of the Member | Designation | No. of meetings attended |
|----------------------|-------------|--------------------------|
| Mahendra K. Ghelani | Chairman | 1 |
| Ashwin R. Nagarwadia | Member | 1 |
| Sameer V. Shah | Member | 1 |
| Sushil U. Lakhani | Member | 1 |

The CSR Committee has the power to frame the CSR policy and its review from time to time, to ensure effective implementation and monitoring of the CSR activities as per the approved policy, plans & budget, to ensure compliance with the laws, rules & regulations governing the CSR.

III. Whistle Blower Policy

The Company is committed to adhere to the highest standards of ethical, moral and legal conduct of business operations. The Company has a Vigil Mechanism & Whistle Blower Policy which encourages its employees who have concerns about suspected misconduct to come forward and express these concerns without fear of punishment or unfair treatment. A Vigil (Whistle Blower) Mechanism provides a channel to the employees and Directors to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the codes of conduct or policies. The audit Committee of the Company shall oversee the vigil mechanism. The policy on vigil mechanism & whistle blower policy may be accessed on the Company's website at the link: <http://www.chembondindia.com/Investors/Policy/Vigil Mechanism & Whistle Blower Policy>.

IV. Subsidiary Companies

The Company has four subsidiaries namely Chembond Solenis Water Technologies Limited (*formerly known as Chembond Ashland Water Technologies Limited*), Protochem Industries Private Limited, Chembond Inver Coatings Limited and Chembond Clean Water Technologies Limited. One Independent Director of Chembond Chemicals Limited is on the

Board of each material subsidiary. Mr. O. P. Malhotra on the Board of Chembond Solenis Water Technologies Limited, Mr. Mahendra Ghelani on the Board of Protochem Industries Private Limited and Mr. Sushil Lakhani on the Board of Chembond Clean Water Technologies Limited. The Audit Committee of Chembond reviews the financial statements of the subsidiaries. The Minutes of the Board meetings of subsidiaries are placed in the Board Meetings of Chembond Chemicals Limited.

V. General Body Meetings

i) Details of general body meetings held in last 3 years:

| Year | AGM / EGM | LOCATION | DATE | TIME | SPECIAL RESOLUTION PASSED |
|------|-----------|--|------------|-----------|--|
| 2012 | AGM | EL-37, Chembond Centre, Mahape, MIDC, Navi Mumbai 400 710. | 08.09.2012 | 3.00 p.m. | Approval of retirement plan for Dr. Vinod D. Shah. |
| 2013 | AGM | EL-37, Chembond Centre, Mahape, MIDC, Navi Mumbai 400 710. | 10.08.2013 | 3.00 p.m. | 1) Re-appointment of Mr. Sameer V. Shah as Chairman & Managing Director 2) Re-appointment of Mr. Nirmal V. Shah as Vice-Chairman & Managing Director 3) Commission to Directors (other than Managing/Whole-time Directors) |
| 2014 | AGM | EL-37, Chembond Centre, Mahape, MIDC, Navi Mumbai 400 710. | 09.08.2014 | 3.00 p.m. | 1) Re-appointment of Mr. Jawahar I. Mehta as Independent Director 2) Re-appointment of Mr. Sushil U. Lakhani as Independent Director 3) Re-appointment of Mr. Mahendra K. Ghelani as Independent Director |

ii) Postal Ballot

The Company successfully completed the process of obtaining approval of its Members on the following resolutions through Postal Ballots during the year 2014-2015:

- To Approve Related Party Transactions under Section 188 of the Companies Act, 2013.
- To Increase the Borrowing Limits of the Company under Section 180(1)(c) of the Companies Act, 2013.
- To Approve Creation of Charges and Sale, Lease or Otherwise Disposal of Assets under Section 180(1)(a) of the Companies Act, 2013.
- To Authorize the Board of Directors to give Loans, Provide Guarantees / Securities and make Investments on behalf of the Company under Section 186 of the Companies Act, 2013.
- To Ratify Payment of Remuneration to the Cost Auditors under Section 148 of the Companies Act, 2013.

Voting pattern and procedure for Postal Ballot:

- The Board of Directors of the Company, vide a board resolution dated 23rd January, 2015, had appointed Mr. Virendra Bhatt as the Scrutinizer for conducting the postal ballot voting process.
- The Company had completed the dispatch of the Postal Ballot Notice dated 23rd January, 2015 together with the Explanatory Statement on 11th February, 2015 along with forms and postage prepaid business reply envelopes to all the shareholders whose name(s) appeared on the Register of Members/list of beneficiaries as on 30th January, 2015.
- The voting under the Postal Ballot was kept open from 12th February, 2015 to 13th March, 2015 (either physically or thorough electronic mode)
- Particulars of postal ballot forms received from the Members using the electronic platform of CDSL were entered in a register separately maintained for the purpose.
- The postal ballot forms were kept under Mr. Virendra Bhatt's safe custody in sealed.
- All postal ballot forms received upto the close of working hours on 13th March, 2015, the last date & time fixed by the Company for receipt of the forms, had been considered for his scrutiny.

7. Envelopes containing postal ballot forms received after close of business hours on 13th March, 2015 had not been considered for his scrutiny.
8. On 19th March, 2015, Mr. Sameer V. Shah, Managing Director announced the following results of the postal ballot as per the Scrutinizer's Report.

| Particulars | Total No. of Valid Votes | Votes Assenting the Resolution | % of Votes Cast | Votes Dissenting the Resolution | % of Votes Cast |
|--|--------------------------|--------------------------------|-----------------|---------------------------------|-----------------|
| Resolution 1 | | | | | |
| Votes cast through physical postal ballots | 1076591 | 1076591 | 100% | - | - |
| Votes cast through Electronic Mode | 86582 | 86582 | 100% | - | - |
| Resolution 2 | | | | | |
| Votes cast through physical postal ballots | 4055666 | 4055666 | 100% | - | - |
| Votes cast through Electronic Mode | 1483174 | 1483174 | 100% | - | - |
| Resolution 3 | | | | | |
| Votes cast through physical postal ballots | 4055666 | 4055666 | 100% | - | - |
| Votes cast through Electronic Mode | 1483174 | 1483174 | 100% | - | - |
| Resolution 4 | | | | | |
| Votes cast through physical postal ballots | 4055666 | 4055666 | 99.98% | 200 | 0.02% |
| Votes cast through Electronic Mode | 1483174 | 1483174 | 100% | - | - |
| Resolution 5 | | | | | |
| Votes cast through physical postal ballots | 4055666 | 4055666 | 99.98% | 201 | 0.02% |
| Votes cast through Electronic Mode | 1483174 | 1483174 | 100% | - | - |

VI. Disclosures

1. There were no materially significant transactions with the related parties viz. Promoters, Directors or the Management, or their relatives or the subsidiaries that had potentially conflict with the interests of the Company during the year. Suitable disclosure as required by the Accounting Standard (AS 18) has been made in the Annual Report.
2. There are no pecuniary relationships or transactions of Non-Executive Directors vis-à-vis the Company which has potential conflict with the interests of the Company at large.
3. There were no non-compliances by the Company nor were any penalties or strictures imposed on the Company by BSE Ltd. or SEBI or any statutory authority, on any matter relating to the capital markets during the last three years.
4. The Company has a Code of Conduct for Prevention of Insider Trading in the shares of the Company for Directors and other identified persons in accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations.
5. The Company has complied with all the mandatory requirements and non-mandatory requirements in respect of nomination and remuneration committee as stipulated in the clauses of corporate governance.
6. The Independent Directors have confirmed that they meet the criteria of 'Independence' as stipulated under Clause 49 of the Listing Agreement and Sec. 149(6) of the Companies Act, 2013.

VII. CEO/CFO Certification

The Managing Director/Chief Financial Officer (CFO) have issued certificate pursuant to the provisions of Clause 49 of the Listing Agreement certifying that the financial statements do not contain any materially untrue statement and these statements represent a true and fair view of the Company's affairs. The said certificate is annexed and forms part of the Annual Report.

VIII. Means of Communication

Annual Reports in respect of each financial year are sent to all shareholders at their registered addresses, and sent by email to those shareholders on the email ids registered with the depository participant. Each report contains the annual accounts of the Company in respect of the financial year under consideration along with the Directors' Report and Auditor's Report. Also included in each annual report is the notice convening the annual general meeting, corporate governance report, management discussion and analysis and the cash flow statement together with the corresponding reports of the auditors, the consolidated accounts and the auditor's report thereon.

The quarterly, half-yearly, nine months ended and yearly financial results are submitted to the BSE Ltd. immediately after the conclusion of the Board meeting and usually published in Free Press Journal, Nav Shakti, Business Line and Aapla Mahanagar within prescribed time, usually on the next immediate working day. The results are also displayed on the website of the Company at www.chembondindia.com and also uploaded on the website of BSE Limited. The Company also submits press release etc. to BSE, if any, which is displayed on BSE website.

IX. General Shareholders Information

| | | | | |
|----|--|---|--------|--------|
| 1 | Date, Time & Venue of Annual General Meeting. | 8 th August, 2015 at 3.00 p.m. at EL-37, MIDC, Mahape, Navi Mumbai | | |
| 2 | Financial Year | The Financial Year Covers the period from 1 st April to 31 st March | | |
| 3 | Financial Calendar for 2015-2016 (tentative & subject to change) | Financial Reporting for the quarter ending 30.06.2015 By Mid of August, 2015 30.09.2015 By Mid of November 2015 31.12.2015 By Mid of February 2016 31.03.2016 By end of 30 th May 2016 | | |
| 4 | Date of Book Closure | 25 th July, 2015 to 8 th August, 2015 (Both days inclusive) | | |
| 5 | Dividend Payment date | Final dividend if declared shall be paid/credited on 12 th August, 2015 | | |
| 6 | Listing on Stock Exchange | BSE Ltd. | | |
| 7 | Stock Code | 530871 | | |
| 8 | Market Price data | Month | High | Low |
| | | April 2014 | 150 | 133 |
| | | May 2014 | 156 | 140 |
| | | June 2014 | 164.75 | 150 |
| | | July 2014 | 177 | 155 |
| | | August 2014 | 187 | 155.65 |
| | | September 2014 | 282.90 | 186 |
| | | October 2014 | 293 | 228.05 |
| | | November 2014 | 339.90 | 245 |
| | | December 2014 | 309 | 247 |
| | | January 2015 | 308 | 260 |
| | | February 2015 | 380 | 285.10 |
| | | March 2015 | 369 | 315 |
| 9 | Registrar and Transfer Agent | TSR Darashaw Limited 6-10, Haji Moosa Patrawala Indl. Estate, 20, Dr. E Moses Road, Mahalaxmi, Mumbai – 400 011. Tel: 022 – 6656 8484 Fax: 022 – 6656 8494 E-mail : csg-unit@tsrdarashaw.com Web : www.tsrdarashaw.com | | |
| 10 | Share Transfer System | Registrar and transfer Agent carry out share transfer activities and shares are transferred within stipulated time. | | |

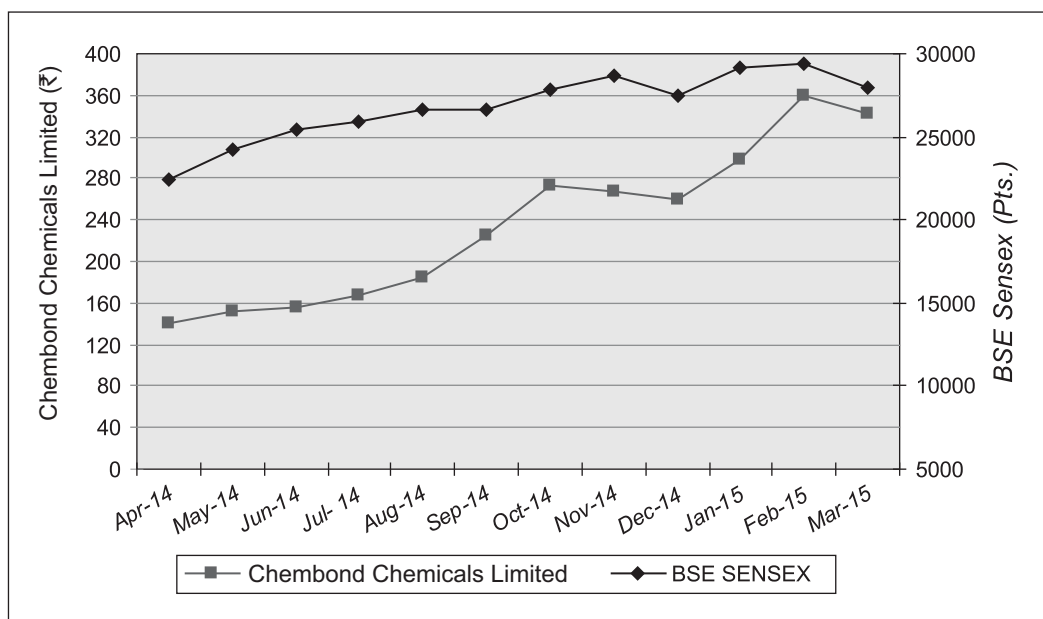
| | | | | | |
|----|---|---|-------------------|------------------|-------------------|
| 11 | Distribution of shareholding | | | | |
| | No. of equity shares held | No. of shareholders | % of shareholders | No. of shares | % of shareholding |
| | 1 - 2000 | 1339 | 91.40 | 392,363 | 5.89 |
| | 2001 - 3000 | 32 | 2.19 | 81,725 | 1.23 |
| | 3001 - 4000 | 15 | 1.02 | 53,955 | 0.81 |
| | 4001 - 5000 | 6 | 0.41 | 26,950 | 0.40 |
| | 5001 - 10000 | 18 | 1.23 | 152,677 | 2.29 |
| | 10001 - 20000 | 18 | 1.23 | 248,238 | 3.73 |
| | 20001 - 30000 | 9 | 0.61 | 212,742 | 3.19 |
| | 30001 - 40000 | 2 | 0.14 | 63,377 | 0.95 |
| | 40001 - 50000 | 2 | 0.14 | 91,154 | 1.38 |
| | 50001 - 100000 | 9 | 0.61 | 650,915 | 9.77 |
| | 100001 & above | 15 | 1.02 | 4,686,316 | 70.36 |
| | Total | 1465 | 100.00 | 6,660,412 | 100.00 |
| 12 | Dematerialization of share and liquidity | As of 31 st March, 2015, out of total shareholding, 6468860 shares are held in Demat form. The shares of the Company are not actively traded on BSE Limited. | | | |
| 13 | Details about the ADR/ GDR | The Company has not issued any ADR/GDRs | | | |
| 14 | Plant Locations | 1) E-6/3 & 4, MIDC Tarapur, Maharashtra. 2) T/129, MIDC Tarapur, Maharashtra. 3) 177/2, Village Theda, Himachal Pradesh. 4) 404/B-01, Dudhwada, Dist. Vadodara, Gujarat. 5) S-50, Phase III, SIPCOT,, Ranipet, Tamilnadu. | | | |
| 15 | Address of Correspondence | Chembond Chemicals Limited Chembond Centre, EL-71, MIDC Mahape, Navi Mumbai 400 710. Tel: 022 3921 3000 Fax: 022 2768 1294 | | | |
| 16 | Category of Shareholding as of 31 st March, 2015 | As given below | | | |

| Category of Shareholding as of 31 st March, 2015 | No. of Shares | % of total shares |
|---|------------------|-------------------|
| Promoters & their relatives | 4,579,417 | 68.76 |
| Banks/ FIs/Insurance Co. (Central/ State Govt./ Non- Govt. Institutions) | 23,800 | 0.36 |
| Corporate Bodies | 599,343 | 9.00 |
| NRIs/OCBs | 7,901 | 0.12 |
| Indian Public | 1,449,951 | 21.76 |
| Total | 6,660,412 | 100.00 |

| | | |
|----|---|----------------|
| 17 | Share Price Performance in Comparison with BSE Sensex | As given below |
|----|---|----------------|

| MONTH | Chembond Chemicals Limited | BSE Sensex |
|----------------|----------------------------|------------|
| April 2014 | 140.00 | 22,417.80 |
| May 2014 | 152.00 | 24,217.34 |
| June 2014 | 155.00 | 25,413.78 |
| July 2014 | 167.95 | 25,894.97 |
| August 2014 | 184.70 | 26,638.11 |
| September 2014 | 225.00 | 26,630.51 |
| October 2014 | 273.75 | 27,865.83 |
| November 2014 | 268.25 | 28,693.99 |
| December 2014 | 259.90 | 27,499.42 |
| January 2015 | 298.10 | 29,182.95 |
| February 2015 | 359.30 | 29,361.50 |
| March 2015 | 342.00 | 27,957.49 |

Share Price Comparison



Auditor's Certificate

To

The Members of CHEMBOND CHEMICALS LIMITED

We have examined the compliance of conditions of Corporate Governance by CHEMBOND CHEMICALS LIMITED (the "Company") for the year ended 31st March, 2015 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchange in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **M/s Kastury & Talati**

Chartered Accountants

Firm's Registration No:104908W

Dhiren P. Talati

Partner

Membership No: F/41867

Mumbai, 21st May, 2015

Independent Auditor's Report

To the Members of

Chembond Chemicals Limited

1. Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **Chembond Chemicals Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss, Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operative effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements,

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the above said standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2015 and its Profit and Loss and its Cash Flows for the year ended on that date.

5. Emphasis of Matter

Reference is invited to Note No 35c of the Notes on Financial Statements. The Company has investments, loans and advances and debts due from subsidiaries/associates. The net worth of these entities has eroded. Provisions have not been made in this respect as the investments are long term and, in the opinion of the Management, the losses are temporary in nature.

Our opinion is not modified in respect of these matters.

6. Report on Other Legal and Regulatory Requirements

- A. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
- B. As required by section 143(3) of the Act, we report that:
- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e. On the basis of the written representations received from the Directors as on March 31, 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
 - f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements,
 - ii. In our opinion and as per the information and explanations provided to us, the Company has not entered into any long-term contracts including derivative contracts, requiring provision under applicable laws or accounting standards, for material foreseeable losses, and
 - iii. There has been no delay in transferring the amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **M/s Kastury & Talati**
Chartered Accountants
Firm's Registration No: 104908W

Dhiren P. Talati
Partner
Membership No: F/41867
Mumbai, 21st May, 2015

Annexure to the Independent Auditors' Report

The annexure referred to in paragraph 6A of our report to the members of Chembond Chemicals Limited for the year ended March 31, 2015.

We report that:

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) During the year the Management had carried out physical verification of these assets at regular interval and we have been informed that no material discrepancies were noticed on such verification as compared to the available records. In our opinion, the frequency of physical verification of Assets is reasonable having regard to the size of the Company and the nature of its Fixed Assets.
- ii. (a) As explained to us, the inventory of the Company has been physically verified by the Management and in our opinion the frequency of verification is reasonable.
(b) In our opinion and according to the information & explanations given to us the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) In our opinion, the Company is maintaining proper records of inventory. As per the information and explanations provided to us and having regard to the size of the operations of the Company, no material discrepancies have been noticed on physical verification of inventory as compared to book records.
- iii. (a) The Company has granted unsecured loans to a subsidiary company covered in the register maintained under section 189 of the Companies Act, 2013.
(b) In the case of the loan granted to the subsidiary company, the borrower has been regular in the payment of the interest as stipulated. The terms of arrangements do not stipulate any repayment schedule and the loan is repayable on demand.
(c) Since there is no stipulations with regard to the repayment of the loan, no amount is overdue.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- v. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of section 73 to 76 and other relevant provisions of the Companies Act, 2013 and the rules framed there under to the extent applicable with regard to the deposits accepted from the public. As informed to us no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this respect.
- vi. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 1956, and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records for determining whether they are accurate or complete.
- vii. a. According to the information and explanation given to us, in our opinion the Company is generally regular in depositing with the appropriate authorities, the undisputed statutory dues including provident fund, employee's state insurance, income tax, sales tax, services tax, custom duty, excise duty, cess and other material statutory dues as applicable.

According to the information and explanations given to us, no undisputed amounts payable in respect of sales tax, service tax, customs duty and excise duty were in arrears as at 31.03.2015 for a period of more than six months from the date they became payable.

- b. According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, customs duty and excise duty which have not been deposited on account of any dispute except as follows :

| Nature of Dues | Amount (₹ in lakhs) | Period for which the amount relates | Forum where the dispute is pending |
|-------------------------|---------------------------|--|--|
| Maharashtra VAT and CST | 52.55 1843.62 29.54 | 2006-07 2008-09 2009-10 | Joint Commissioner of Sales-tax (Appeals) |
| Gujarat VAT and CST | 15.21 | 2009-10 | VAT Tribunal |

- c. According to the information and explanations given to us the amounts which were required to be transferred to the investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules there under has been transferred to such fund within time.
- viii. The Company does not have any accumulated losses as at the balance sheet date and the Company has not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
- ix. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
- x. In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the Company.
- xi. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purpose for which they were obtained.
- xii. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the year.

For M/s Kastury & Talati

Chartered Accountants

Firm's Registration No:104908W

Dhiren P. Talati

Partner

Membership No: F/41867

Mumbai, 21st May, 2015

Balance Sheet

| | Notes | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|---|--------------|------------------------------------|------------------------------------|
| Equity and Liabilities | | | |
| Shareholder's Funds | | | |
| Share Capital | 2 | 666.04 | 666.04 |
| Reserves and Surplus | 3 | 4,529.93 | 4,229.57 |
| | | <u>5,195.97</u> | <u>4,895.61</u> |
| ESOP Share Application Money Received | | 24.10 | - |
| | | <u>5,220.07</u> | <u>4,895.61</u> |
| Non-Current Liabilities | | | |
| Long-term Borrowings | 4 | 176.54 | 937.04 |
| Deferred Tax Liabilities (Net) | 5 | 211.62 | 277.62 |
| Long-term Provisions | 6 | 104.57 | 81.85 |
| | | <u>492.73</u> | <u>1,296.51</u> |
| Current Liabilities | | | |
| Short-term Borrowings | 7 | 1,672.04 | 1,310.97 |
| Trade Payables | 8 | 3,670.91 | 4,353.10 |
| Other Current Liabilities | 9 | 1,014.06 | 837.23 |
| Short-term Provisions | 10 | 259.59 | 217.96 |
| | | <u>6,616.60</u> | <u>6,719.26</u> |
| | Total | <u>12,329.40</u> | <u>12,911.38</u> |
| Assets | | | |
| Non-Current Assets | | | |
| Fixed Assets | | | |
| Tangible Assets | 11 | 3,547.48 | 3,743.63 |
| Intangible Assets | 11 | 70.13 | 77.00 |
| Capital Work-in-Progress | 11 | 196.27 | 150.33 |
| | | <u>3,813.88</u> | <u>3,970.96</u> |
| Non Current Investments | 12 | 2,009.93 | 2,009.93 |
| Long-term Loans & Advances | 13 | 203.39 | 157.43 |
| | | <u>2,213.32</u> | <u>2,167.36</u> |
| Current assets | | | |
| Current Investment | 14 | 0.63 | 0.59 |
| Inventories | 15 | 2,155.33 | 2,582.57 |
| Trade Receivables | 16 | 3,625.06 | 3,790.71 |
| Cash and Cash Equivalents | 17 | 323.86 | 177.31 |
| Short-term Loans and Advances | 18 | 197.32 | 221.88 |
| | | <u>6,302.20</u> | <u>6,773.06</u> |
| | Total | <u>12,329.40</u> | <u>12,911.38</u> |
| Significant Accounting Policies and Notes on Financial Statements | 1-39 | | |

As per our attached report of even date

On behalf of the Board of Directors

For M/s Kastury & Talati
Chartered Accountants

Sameer V. Shah
Chairman & Managing Director

Nirmal V. Shah
Vice Chairman & Managing Director

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 21st May 2015

Perviz H. Dastur
Director
Mumbai, 21st May 2015

Rashmi S. Gavli
Chief Financial Officer

Varadvinayak Khambete
Company Secretary

Statement of Profit and Loss

| | Notes | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) |
|---|-------|---------------------------|---------------------------|
| INCOME | | | |
| Revenue from Operations | 19 | 21,674.90 | 20,356.05 |
| Other Income | 20 | 329.92 | 288.29 |
| Total Revenue | | 22,004.82 | 20,644.34 |
| EXPENDITURE | | | |
| Cost of Materials Consumed | 21 | 17,028.69 | 15,985.41 |
| Purchases of Stock-in-trade | | 383.01 | 725.10 |
| Changes in Inventories of Finished goods, Work-in-progress and Traded goods | 22 | 116.85 | (110.74) |
| Employee Benefits Expense | 23 | 1,692.85 | 1,549.92 |
| Finance Costs | 24 | 273.51 | 304.20 |
| Depreciation and Amortisation Expense | 25 | 276.21 | 192.13 |
| Other Expenses | 26 | 1,659.98 | 1,587.52 |
| Total Expenses | | 21,431.10 | 20,233.54 |
| Profit before Taxes | | 573.72 | 410.80 |
| Tax Expenses | | | |
| Current Tax | | 65.00 | 48.14 |
| Deferred Tax | | (49.61) | (29.77) |
| Profit for the Year | | 558.33 | 392.43 |
| Earning Per Equity Share of Face Value of ₹ 10 each | 28 | | |
| Basic (in ₹) | | 8.38 | 5.89 |
| Diluted (in ₹) | | 8.17 | 5.72 |
| Significant Accounting Policies and Notes on Financial Statements | 1-39 | | |

As per our attached report of even date

On behalf of the Board of DirectorsFor **M/s Kastury & Talati**
Chartered Accountants**Sameer V. Shah**
Chairman & Managing Director**Nirmal V. Shah**
Vice Chairman & Managing Director**Dhiren P. Talati**
Partner
Membership No. F/41867
Mumbai, 21st May 2015**Perviz H. Dastur**
Director
Mumbai, 21st May 2015**Rashmi S. Gavli**
Chief Financial Officer**Varadvinayak Khambete**
Company Secretary

Cash Flow Statement

| | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) |
|--|---------------------------|---------------------------|
| A Cash Flow from Operating Activities | | |
| Net Profit before tax and extraordinary items | 573.72 | 410.80 |
| Adjustments for : | | |
| Depreciation | 276.21 | 192.13 |
| Loss on Sale of Fixed Asset | 0.10 | 2.54 |
| Employee ESOP compensation | 2.04 | 6.10 |
| Finance Cost | 273.52 | 288.44 |
| | <u>551.87</u> | <u>489.21</u> |
| Less : | | |
| Foreign Exchange Fluctuation | (14.40) | 13.20 |
| Dividend Received | 288.79 | 192.54 |
| | <u>277.48</u> | <u>283.47</u> |
| Operating Profit before working capital changes | 851.20 | 694.27 |
| Adjustments for : | | |
| Trade and Other Receivables | 170.93 | (736.52) |
| Inventories | 427.23 | (107.68) |
| Trade and Other Payables | (469.04) | 1,366.71 |
| | <u>129.12</u> | <u>522.51</u> |
| Cash generated from operations | 980.32 | 1,216.78 |
| Direct Tax paid | (104.13) | (28.24) |
| Net Cash from Operating Activities (A) | <u>876.19</u> | <u>1,188.54</u> |
| B Cash Flow from Investing Activities | | |
| Purchase of Fixed Assets | (169.72) | (445.35) |
| Sale of Fixed Asset | 0.01 | 1.01 |
| Purchase of Investment | (0.04) | (513.10) |
| Net Cash used in Investing Activities (B) | <u>(169.75)</u> | <u>(957.44)</u> |
| C Cash Flow from Financing Activities | | |
| Proceeds from Short Term Borrowings | 361.06 | 52.99 |
| ESOP Application Money Received | 24.10 | - |
| Dividend paid | (199.81) | (189.82) |
| Dividend received | 288.79 | 192.54 |
| Proceeds from Long Term Borrowings | (760.50) | 65.68 |
| Finance Cost | (273.52) | (288.44) |
| Net Cash from Financing Activities (C) | <u>(559.88)</u> | <u>(167.05)</u> |
| Net (Decrease)/Increase in Cash & Cash Activities (A+B+C) | <u>146.55</u> | <u>64.05</u> |
| Cash and Bank Balances as on Opening | 177.31 | 113.26 |
| Cash and Bank Balances as on Closing | 323.86 | 177.31 |

As per our attached report of even date

On behalf of the Board of Directors

For **M/s Kastury & Talati**
Chartered Accountants

Sameer V. Shah
Chairman & Managing Director

Nirmal V. Shah
Vice Chairman & Managing Director

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 21st May 2015

Perviz H. Dastur
Director

Mumbai, 21st May 2015

Rashmi S. Gavli
Chief Financial Officer

Varadvinayak Khambete
Company Secretary

Notes on Financial Statements

1 Significant Accounting Policies

a System of Accounting

- i) The company follows the mercantile system of accounting and recognises income and expenditure on accrual basis.
- ii) Financial Statements are prepared on historical cost basis, adjusted for revaluation of Fixed Assets and as a going concern.

b Fixed Assets

Fixed Assets are stated at their revalued figures less accumulated depreciation. The company capitalises all costs relating to acquisitions and installation of fixed assets.

c Expenditure during construction period

Pre-operating Expenditure, Interest on specific borrowings for the project, interest on general (interest bearing) funds of the Company utilized for the purpose of the project upto the date of commencement of commercial production are capitalised pro-rata to the cost of Fixed Assets.

d Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

e Depreciation

Depreciation is allocated over the useful life of the asset as specified in part C of Schedule II of the Companies Act 2013.

f Revenue Recognition on Sales

The Company recognises revenue on the sale of Products when the products are delivered to the customers or to the carrier which is when the risks or rewards of ownership pass to the customer.

g Research & Development

Revenue expenditure on Research & Development are charged to the Profit & Loss Account and capital expenditure are included in Fixed Assets under relevant assets and depreciated on the same basis as other fixed assets.

h Borrowing Costs

Borrowing Costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the costs of such assets. A qualifying asset is one that takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Profit & Loss account.

i Operating Lease

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on accrual basis in accordance with the respective lease agreements.

j Deferred Taxes

Deferred Income Tax is provided using the liability method on all temporary differences at the Balance Sheet date between the tax bases of Assets and Liabilities and their carrying amounts for financial reporting purposes. Deferred tax Assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available in the future against which these items can be utilised.

Notes on Financial Statements for the year ended 31st March, 2015

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the Deferred tax Asset to be utilised. Deferred tax Assets and Liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and the tax laws) that have been enacted subsequent to the Balance Sheet date.

k Investments

Investments are stated at the cost of acquisition.

l Dividend Received

Dividend Income from Investments is recognised in the Profit & Loss Account when the right to receive the dividend is established.

m Valuation of Inventory

Inventories are valued at cost determined on Weighted Average Basis or Net Realisable Value, whichever is lower. Cost of Raw Material Stocks is determined so as to exclude from the cost, taxes and duties which are subsequently recoverable from the taxing authorities.

n Employee Benefits

- (a) Provident Fund: Contributions towards Employees Provident Fund are made to the Employees Provident Scheme in accordance with the statutory provisions.
- (b) Gratuity: The Company makes annual contribution to a Gratuity Fund administered by LIC. The Company accounts for liability for future gratuity benefits based on actuarial valuation as at the Balance Sheet date, determined every year using the Projected Unit Credit Method by an Actuary appointed by the Company.
- (c) Leave Encashment: The Company does not allow any accumulation of leave balance or encashment thereof.
- (d) Deferred Compensation Cost: In respect of Stock options granted pursuant to Company's Employee Stock Option Scheme, the Company determines the compensated cost based on the intrinsic value method and the compensation cost is amortised on a straight line basis over the vesting period.

o Taxation

Advance payments of Income Tax, including TDS, where assessments are pending are shown net of the corresponding Provision for Tax for the year.

p Foreign Exchange Differences

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the transaction date. Monetary items such as receivables, payables and loans denominated in foreign currency are translated at the exchange rate prevailing at the balance sheet date. Exchange differences arising on foreign currency transactions are recognised as Income/ Expenditure in the Profit and Loss account.

q Custom duty on Imports

Customs duty on Imports is accounted as and when Goods are cleared from the customs authorities.

r Earning Per Share

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to Equity Shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earning per share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential Equity Shares.

Notes on Financial Statements for the year ended 31st March, 2015

s Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- the Company has a present obligation as a result of a past event;
- a probable outflow of resources is expected to settle the obligation; and
- the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- a present obligation when no reliable estimate is possible; and
- a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognised, nor disclosed.

Provision, Contingent Liabilities and Contingent Assets are reviewed at each balance Sheet date.

t Hedge Transactions

In case of forward exchange contracts, to hedge the foreign currency risk which is on account of a firm commitment, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

2 Share Capital

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|--|---------------------------------|---------------------------------|
| Authorised | | |
| 1,00,00,000 (1,00,00,000) Equity Shares of ₹ 10/- each | 1,000.00 | 1,000.00 |
| Issued, Subscribed and Paid up | | |
| 66,60,412 (66,60,412) Equity Shares of ₹ 10/- each fully paid-up | 666.04 | 666.04 |
| Total | 666.04 | 666.04 |

a Shares issued for consideration other than cash and bonus shares issued:

Out of the issued, subscribed and paid up share capital, during the last five years

- 1,90,206 (1,90,206) Equity Shares of ₹ 10/- each have been issued for consideration other than cash.
- 31,80,206 (31,80,206) Equity Shares of ₹ 10/- each have been issued as fully paid Bonus Shares by way of capitalisation of Reserves & Surplus.

b Details of Shareholders holding more than 5% Shares

| Name of the Shareholder | As at 31/3/2015 | | As at 31/3/2014 | |
|--|-----------------|--------------|-----------------|--------|
| | No of Shares | % held | No of Shares | % held |
| Dr. Vinod D. Shah | 9,30,731 | 13.98 | 9,23,771 | 13.87 |
| Padma V. Shah | 7,47,557 | 11.22 | 7,47,557 | 11.22 |
| Visan Holding & Financial Services Pvt. Ltd. | 6,13,618 | 9.21 | 6,12,518 | 9.20 |
| Ashwin R. Nagarwadia | 5,40,632 | 8.12 | 3,85,932 | 5.79 |
| Quest Investment Advisors Pvt. Ltd. | 3,78,600 | 5.67 | 3,64,433 | 5.46 |
| Ajay Sheth | 3,57,582 | 5.36 | 3,88,735 | 5.82 |

Notes on Financial Statements for the year ended 31st March, 2015

c Terms/Rights attached to Equity Shares

The Company has only one class of Equity Shares having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

3 Reserves And Surplus

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|---|---------------------------------|---------------------------------|
| Revaluation Reserve | | |
| As per last year | 54.04 | 55.93 |
| Less : Transfer to Profit & Loss A/c. {{Refer Note No. 11(b)}} | 54.04 | 1.89 |
| | - | 54.04 |
| General Reserve | | |
| As per last year | 580.00 | 540.00 |
| Add: Transfer from Profit & Loss A/c. | 50.00 | 40.00 |
| | 630.00 | 580.00 |
| Share Premium | | |
| As per last year | 521.91 | 521.91 |
| | 521.91 | 521.91 |
| Employees Shares Options Outstanding | | |
| Shares Option Outstanding | 33.78 | 39.57 |
| Less: Option Lapsed | 4.38 | 5.79 |
| | 29.40 | 33.78 |
| Less: Deferred Compensation | 11.27 | 17.70 |
| | 18.13 | 16.08 |
| Profit and Loss Account | | |
| As per last year | 3,057.54 | 2,903.03 |
| Less: Transitional Depreciation Provision (Net of Deferred Tax ₹ 16.38 lakhs) | 34.11 | |
| Add: Profit for the Year | 558.33 | 392.43 |
| Add: Transfer from Revaluation Reserve | 54.04 | 1.89 |
| | 3,635.80 | 3,297.35 |
| Less: Appropriations | | |
| Transferred to General Reserve | 50.00 | 40.00 |
| Set off of Dividend Tax in respect of Dividend from Subsidiary Company | (13.86) | (33.96) |
| Proposed Dividend | 199.81 | 199.81 |
| Tax on Proposed Dividend | 39.95 | 33.96 |
| | 3,359.89 | 3,057.54 |
| Total | 4,529.93 | 4,229.57 |

Notes on Financial Statements for the year ended 31st March, 2015

4 Long-term Borrowings

| | As at 31/3/2015 (₹ in lakhs) | | As at 31/3/2014 (₹ in lakhs) | |
|----------------------------|---------------------------------|---------------|---------------------------------|---------------|
| | Non Current | Current | Non Current | Current |
| Secured | | | | |
| Term Loan from Banks | 80.00 | 80.00 | 160.00 | 80.00 |
| | <u>80.00</u> | <u>80.00</u> | <u>160.00</u> | <u>80.00</u> |
| Unsecured | | | | |
| Loans from Related Parties | 96.54 | 248.27 | 756.84 | 125.91 |
| Loans from Others | - | - | 20.20 | 27.50 |
| | <u>96.54</u> | <u>248.27</u> | <u>777.04</u> | <u>153.41</u> |
| Total | <u>176.54</u> | <u>328.27</u> | <u>937.04</u> | <u>233.41</u> |

a Term Loan from Banks are secured by Equitable Mortgage on movable & immovable fixed assets & hypothecation of Plant & Machinery of the company. The maturity profile of these loans are as follows:

| | 1-2 years | 2-3 years | 3-4 years |
|----------------------|-----------|-----------|-----------|
| Term Loan from Banks | 80.00 | NIL | NIL |

b Maturity Profile of Unsecured Loans from related parties and others is as follows:

| | 1-2 years | 2-3 years | 3-4 years |
|----------------------------|-----------|-----------|-----------|
| Loans from Related Parties | 32.08 | 64.46 | NIL |
| Loans from Others | NIL | NIL | NIL |

5 Deferred Tax Liability

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|--|---------------------------------|---------------------------------|
| Deferred tax Liability | | |
| Depreciation | 396.59 | 378.16 |
| | <u>396.59</u> | <u>378.16</u> |
| Deferred tax Asset | | |
| Gratuity | 33.93 | 25.29 |
| MAT Credit | 115.39 | 57.39 |
| Provision for Indirect Tax related Matters | 9.08 | - |
| Provision for Doubtful Debts | 26.57 | 17.86 |
| | <u>184.97</u> | <u>100.54</u> |
| Total | <u>211.62</u> | <u>277.62</u> |

6 Long Term Provision

| | | |
|------------------------|---------------|--------------|
| Provision for Gratuity | 104.57 | 81.85 |
| Total | <u>104.57</u> | <u>81.85</u> |

7 Short Term Borrowings

| | | |
|-----------------------|-----------------|-----------------|
| Secured | | |
| Over Draft Facilities | 331.04 | 323.18 |
| Working Capital Loan | 800.00 | 600.00 |
| Buyers Credit Loan | 230.97 | 158.67 |
| Unsecured | | |
| Buyers Credit Loan | 310.03 | 229.12 |
| Total | <u>1,672.04</u> | <u>1,310.97</u> |

a Over draft facility are Secured against Fixed Deposit of Subsidiary Company Protochem Industries Pvt. Ltd.

b Working Capital / Buyers Credit loan is secured by charge on Current Asset, Mortgage of Tangible Immovable Properties and charge on other Fixed Assets.

Notes on Financial Statements for the year ended 31st March, 2015

8 Trade Payables

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|-------------------------------------|---------------------------------|---------------------------------|
| Micro, Small and Medium Enterprises | 45.16 | 66.06 |
| Others | 3,625.75 | 4,287.04 |
| Total | 3,670.91 | 4,353.10 |

- a. For Related party transaction Refer Note No. 35
- b. The Company has amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at the year end. The disclosure pursuant to the said Act is as under:

| | | |
|---|--------|--------|
| Principal amount due to suppliers under MSMED Act, 2006 | 45.16 | 66.06 |
| Interest accrued and due to suppliers under MSMED Act, 2006 on the above amount | 2.40 | 3.26 |
| Payment made to suppliers (other than interest) beyond the appointed day, during the year | 151.28 | 334.30 |
| Interest paid/adjusted to suppliers under MSMED Act, 2006 (other than section 16) | 3.26 | 2.40 |
| Interest paid/adjusted to suppliers under MSMED Act, 2006 (Section 16) | NIL | NIL |
| Interest due and payable to suppliers under MSMED Act, 2006 for payments already made | 2.40 | 3.26 |
| Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006 | 2.40 | 3.26 |

The information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

9 Other Current Liabilities

| | | |
|--------------------------------------|-----------------|---------------|
| Current Maturities of Long Term Debt | 328.27 | 233.41 |
| Other Payables | 615.76 | 566.96 |
| Creditors for Capital Expenditure | 65.14 | 33.04 |
| Unclaimed Dividend * | 4.89 | 3.82 |
| Total | 1,014.06 | 837.23 |

* Not due for Deposit to Investor Education and Protection Fund

10 Short-Term Provisions

| | | |
|--|---------------|---------------|
| Provision for Indirect Tax related Matters | 27.98 | - |
| Provision for Current Tax (Net of Advance Tax) | 5.71 | 18.15 |
| Proposed Dividend | 199.81 | 199.81 |
| Tax on Proposed Dividend | 26.09 | - |
| Total | 259.59 | 217.96 |

Notes on Financial Statements for the year ended 31st March, 2015

11 Fixed Assets

(₹ in lakhs)

| Description | GROSS BLOCK (AT COST) | | | | DEPRECIATION | | | | | NET BLOCK | |
|-----------------------------------|-----------------------|-----------|------------|---------------------|--------------------|-----------|--|------------|---------------------|---------------------|---------------------|
| | As at 1.04.2014 | Additions | Deductions | As at 31.03.2015 | As at 1.04.2014 | Additions | Transitional Depreciation provision* | Deductions | As at 31.03.2015 | As at 31.03.2015 | As at 01.03.2014 |
| Tangible Assets | | | | | | | | | | | |
| Leasehold Land | 61.71 | - | - | 61.71 | - | - | - | - | - | 61.71 | 61.71 |
| Freehold Land | 83.84 | - | - | 83.84 | - | - | - | - | - | 83.84 | 83.84 |
| Buildings | 2,463.00 | 18.85 | - | 2,481.85 | 310.91 | 63.96 | - | - | 374.87 | 2,106.98 | 2,152.09 |
| Equipment & Machinery | 1,446.24 | 85.90 | - | 1,532.14 | 378.79 | 129.34 | 37.25 | - | 545.38 | 986.76 | 1,067.44 |
| Computers | 170.91 | 9.17 | 1.70 | 178.38 | 111.93 | 24.79 | 7.97 | 1.60 | 143.09 | 35.29 | 58.99 |
| Furniture & Fixtures | 175.41 | 2.45 | - | 177.86 | 63.51 | 18.05 | 0.80 | - | 82.36 | 95.50 | 111.90 |
| Motor Cars | 63.57 | - | - | 63.57 | 28.41 | 6.99 | - | - | 35.40 | 28.17 | 35.16 |
| Electric Fittings & Installations | 222.36 | 3.41 | - | 225.77 | 49.87 | 22.30 | 4.37 | - | 76.54 | 149.23 | 172.49 |
| Sub- total | 4,687.04 | 119.78 | 1.70 | 4,805.12 | 943.42 | 265.43 | 50.40 | 1.60 | 1,257.64 | 3,547.48 | 3,743.63 |
| Intangible Assets | | | | | | | | | | | |
| Computer Software | 215.90 | 4.00 | - | 219.90 | 138.90 | 10.78 | 0.09 | - | 149.77 | 70.13 | 77.00 |
| Sub- total | 215.90 | 4.00 | - | 219.90 | 138.90 | 10.78 | 0.09 | - | 149.77 | 70.13 | 77.00 |
| Total | 4,902.94 | 123.78 | 1.70 | 5,025.02 | 1,082.33 | 276.21 | 50.49 | 1.60 | 1,407.41 | 3,617.61 | 3,820.63 |
| Previous Year | 4,300.91 | 612.93 | 10.89 | 4,902.95 | 897.45 | 192.13 | - | 7.36 | 1,082.33 | 3,820.63 | 3,403.46 |
| Capital Work in Progress | | | | | | | | | | 196.27 | 150.33 |

a. *As per the requirement of Schedule II of the Companies Act 2013, effective from 1st April 2014 the company has charged Depreciation during the year based on the provisions of the said schedule. Consequently depreciation for the year ended 31st March, 2015 is higher by ₹ 77.11 lakhs. Further, an amount of ₹ 34.11 lakhs (net of Deferred tax asset ₹ 16.38 Lakhs) has been adjusted with the General Reserve in respect of those assets whose remaining useful life was Nil as on 1st April 2014, as per the transitional provision of Schedule II.

b. Certain assets were revalued in 1994, against which a revaluation reserve was created. In view of the applicability of Schedule II of the Companies Act 2013, the useful life of these assets have expired. The revaluation reserve has therefore been transferred to the Profit & Loss account as the same is no longer required now.

12 Non-Current Investments

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|---|---------------------------------|---------------------------------|
| <u>(Long Term Investment in Shares)</u> | | |
| <u>Unquoted</u> | | |
| <u>Investment in Subsidiary</u> | | |
| 2,75,000(2,75,000) Equity Shares of Chembond Solenis Water Technologies Ltd. of ₹ 10/- each fully paid up. (Constituting 55.00% (55.00%) of the said Company's paid up capital) | 160.30 | 160.30 |
| 10,00,000 (10,00,000) Equity Shares of Protochem Industries Pvt. Ltd. of ₹ 10/- each fully paid up (Constituting 100% (100%) of the said Company's paid up capital) | 1,052.25 | 1,052.25 |
| 58,08,495 (58,08,495) Equity Shares of Chembond Clean Water Technologies Ltd. of ₹ 10/- each fully paid up (Constituting 70.17% (70.17%) of the said Company's paid up capital) | 580.85 | 580.85 |
| 9,50,000 (9,50,000) Equity Shares of Chembond Inver Coatings Limited of ₹ 10/- each fully paid up (Constituting 100% (100%) of the said Company's paid up capital) | 95.00 | 95.00 |

Notes on Financial Statements for the year ended 31st March, 2015

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|--|---|---------------------------------|
| <u>Investment in Joint Venture</u> | | |
| 4,90,000 (4,90,000) Equity Shares of Henkel Chembond Surface Technologies Ltd. of ₹ 10/- each fully paid up. (Constituting 49.00% (49.00%) of the said Company's paid up capital) | 49.00 | 49.00 |
| <u>Investment in Associates</u> | | |
| 2,35,000 (2,35,000) Equity Shares of Chembond Distribution Ltd. of Re 1/- each fully paid up. (Constituting 47.00% (47.00%) of the said Company's paid up capital) | 23.50 | 23.50 |
| 4,90,000 (4,90,000) Equity Shares of Chembond Enzyme Company Ltd. of Re 1/- each fully paid up. (Constituting 49.00% (49.00%) of the said Company's paid up capital) | 49.00 | 49.00 |
| <u>Investment in Government Securities</u> | | |
| Investment in National Saving Certificate | 0.01 | 0.01 |
| <u>Other investments</u> | | |
| 23 (23) Equity Shares of Tarapur Environment Protection Organisation Ltd. | 0.02 | 0.02 |
| Total | 2,009.93 | 2,009.93 |

- a In respect of Investments in the Company's subsidiaries – Chembond Clean Water Technologies Limited and Chembond Inver Coatings Limited and Associate – Chembond Distribution Limited, Please refer Note No. 35c.

13 Long Term Loans And Advances

(Unsecured & considered good & subject to confirmation)

| | | |
|-----------------------------------|---------------|--------|
| Loan & Advance to Related Parties | 64.27 | 64.61 |
| Income Tax (Net of Provision) | 82.60 | 55.91 |
| Other Deposits | 56.52 | 36.91 |
| Total | 203.39 | 157.43 |

- a In respect of loans to subsidiary Chembond Inver Coatings Limited, Please refer Note No. 35c.

14 Current Investments

Investments in Mutual Funds - Quoted

40.96 (38.54) Units of Reliance Mutual Fund
(Liquid Fund Treasury Plan- Daily Dividend Reinvestment Plan)

(Additional units have been received on account of dividend)

| | | |
|--------------|-------------|------|
| | 0.63 | 0.59 |
| Total | 0.63 | 0.59 |

Notes on Financial Statements for the year ended 31st March, 2015

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|--|---------------------------------|---------------------------------|
| 15 Inventories | | |
| Stock-in-trade: (as per inventory taken, valued and certified by the Management) | | |
| Raw Material (at cost) | 1,261.85 | 1,548.50 |
| Packing Material (at cost) | 101.58 | 120.34 |
| Finished Goods (at cost) | 553.32 | 584.08 |
| Stock-in-Trade (at cost) | 236.01 | 322.11 |
| Stock in Transit | 2.57 | 7.54 |
| Total | 2,155.33 | 2,582.57 |
| 16 Trade Receivables (Unsecured) | | |
| <u>Outstanding for more than six months</u> | | |
| Considered Doubtful | 81.88 | 57.79 |
| Considered Good | 832.13 | 675.20 |
| | 914.01 | 732.99 |
| <u>Other Debts (Considered Good)</u> | 2,792.93 | 3,115.51 |
| | 3,706.94 | 3,848.50 |
| Less : Provision for Doubtful Debts | 81.88 | 57.79 |
| Total | 3,625.06 | 3,790.71 |
| a For Related party transactions Refer Note No.35 | | |
| b In respect of dues from subsidiaries - Chembond Clean Water Technologies Limited and Chembond Inver Coatings Limited and Associate - Chembond Distribution Limited, Please refer Note No. 35c. | | |
| 17 Cash And Cash Equivalents | | |
| Cash on hand | 2.10 | 3.10 |
| Bank balance | | |
| In Current Accounts | 267.23 | 119.64 |
| Other Bank balances | 54.53 | 54.57 |
| Total | 323.86 | 177.31 |
| * Other Bank balance include deposits of ₹ 0.50 lakhs (previous year ₹ 0.50 lakhs) with maturity of more than 12 months. | | |
| 18 Short Term Loans And Advances (Unsecured & considered good & subject to confirmation) | | |
| Other Loans & Advances | 45.52 | 22.15 |
| Deposit - Excise | 85.99 | 131.43 |
| Other Deposits | 40.60 | 29.41 |
| Prepaid Expenses | 25.21 | 38.89 |
| Total | 197.32 | 221.88 |

Notes on Financial Statements for the year ended 31st March, 2015

| | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) | | |
|---|---------------------------|---------------------------|---------------------------|---------------------|
| 19 Revenue From Operations | | | | |
| Sales | 24,075.50 | 22,494.53 | | |
| Less: Excise Duty | 2,646.18 | 2,362.80 | | |
| Net Sales | 21,429.32 | 20,131.73 | | |
| Sales of Services | | | | |
| Technical Service Income | 38.92 | 49.47 | | |
| Other Operating revenue | | | | |
| Services Charges from Related Parties | 206.66 | 174.85 | | |
| Total | 21,674.90 | 20,356.05 | | |
| 20 Other Income | | | | |
| Dividend from Subsidiary Company - Chembond Solenis Water Technologies Ltd. | 288.75 | 192.50 | | |
| Dividend from Mutual Fund | 0.04 | 0.04 | | |
| | 288.79 | 192.54 | | |
| Gross Interest {TDS ₹ 1.05 lakhs (₹ 4.86 lakhs)} | 12.83 | 52.16 | | |
| Gross Rental Income {TDS ₹ 1.09 lakhs (₹ 1.72 lakhs)} | 18.55 | 29.91 | | |
| Miscellaneous Income | 9.75 | 13.68 | | |
| Total | 329.92 | 288.29 | | |
| 21 Cost of Materials Consumed | | | | |
| Particulars of Raw Materials Consumed | | | | |
| Acids | 1,934.64 | 1,952.77 | | |
| Oil, Solvent & Alkalies | 1,529.08 | 1,523.23 | | |
| Others | 12,054.27 | 11,134.08 | | |
| | 15,517.99 | 14,610.08 | | |
| Packing Material Consumed | 1,510.70 | 1,375.33 | | |
| Total | 17,028.69 | 15,985.41 | | |
| Break-up of Raw Material Consumed | | | | |
| | 2014-2015 (₹ in lakhs) | % of consumption | 2013-2014 (₹ in lakhs) | % of consumption |
| Imported | 2,591.17 | 16.70 | 2,393.49 | 16.38 |
| Indigenous | 12,926.82 | 83.30 | 12,216.59 | 83.62 |
| Total | 15,517.99 | 100.00 | 14,610.08 | 100.00 |
| 22 Changes in Inventory of Finished Goods, Work in Progress and Traded Goods | | | | |
| Finished products/ Stock-in-Trade (At Close) | 789.33 | 906.18 | | |
| Finished products/ Stock-in-Trade (At commencement) | 906.18 | 795.44 | | |
| Total | 116.85 | (110.74) | | |

Notes on Financial Statements for the year ended 31st March, 2015

| | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) |
|---|---------------------------|---------------------------|
| 23 Employee Benefit Expenses | | |
| Director Remuneration | 72.00 | 67.41 |
| Salaries & Wages | 1,439.06 | 1,327.76 |
| Employee ESOP compensation | 2.04 | 6.10 |
| Contribution to Provident & other funds | 107.82 | 80.41 |
| Staff Welfare Expenses | 71.93 | 68.24 |
| Total | 1,692.85 | 1,549.92 |

a For Related party transaction Refer Note No. 35

b The Company's obligation towards the Gratuity Fund is a Defined Benefit Plan. Details of Actuarial Valuation are as follows:

| | | |
|--|---------------|--------|
| Projected Benefit Obligation at the beginning of the year | 180.87 | 161.52 |
| Service Cost | 16.85 | 13.10 |
| Interest Cost | 16.28 | 13.33 |
| Actuarial Losses/(Gains) | 14.76 | (2.70) |
| Benefits paid | (17.69) | (4.38) |
| Projected Benefit Obligation at the end of the year | 211.07 | 180.87 |
| Change in Plan Assets | | |
| Fair Value of plan assets at the beginning of the year | 99.01 | 80.49 |
| Expected Returns on Plan assets | 8.98 | 7.09 |
| Employer's Contribution | 16.20 | 15.81 |
| Benefits paid | (17.69) | (4.38) |
| Actuarial Gain/(Loss) | - | - |
| Fair Value of plan assets at the end of the year | 106.50 | 99.01 |
| Cost of Defined Benefit Plan for the year | | |
| Current Service Cost | 16.85 | 13.10 |
| Interest on Obligation | 16.28 | 13.33 |
| Expected Return on Plan Assets | (8.98) | (7.09) |
| Net Actuarial Losses/(Gains) recognised in the year | 14.76 | (2.70) |
| Net Cost recognised in the Profit & Loss Account | 38.91 | 16.64 |
| Assumptions | | |
| Discount Rate | 7.75% | 8.75% |
| Future Salary Increase | 5% | 5% |
| Withdrawal Rates | 1% | 1% |

The Management has relied on the overall actuarial valuation conducted by the actuary. However, experience adjustments on plan liabilities and assets are not readily available and hence not disclosed. The expected return on plan assets is as furnished by the Actuary appointed by the Company.

| | | |
|-------------------------------|---------------|---------------|
| 24 Finance Cost | | |
| Interest Expense | 248.49 | 277.57 |
| Bank Guarantee fees & charges | 25.02 | 26.63 |
| Total | 273.51 | 304.20 |

Notes on Financial Statements for the year ended 31st March, 2015

| | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) |
|---|---------------------------|---------------------------|
| 25 Depreciation and Amortisation Expenses | | |
| Depreciation and Amortisation Expenses | 276.21 | 192.13 |
| Total | 276.21 | 192.13 |
| 26 Other Expenses | | |
| Manufacturing Expenses | | |
| Consumable stores | 30.53 | 30.26 |
| Octroi | 3.61 | 4.15 |
| Power, Fuel & Water Charges | 74.18 | 80.60 |
| Research and Development | 95.42 | 54.90 |
| Repairs and Renewals to Plant & Machinery | 14.45 | 8.95 |
| Godown Rent | 23.02 | 25.55 |
| Labour Charges | 224.32 | 221.63 |
| Security Expenses | 52.85 | 48.93 |
| Factory Maintenance | 41.13 | 43.30 |
| Profit Transferred to JV on PTC Business (see note 'a' below) | 39.55 | 119.81 |
| Profit Transferred to Subsidiary on WTC Business (see note 'b' below) | 90.95 | 71.30 |
| Profit Transferred to Associate on Enzymes Business (see note 'c' below) | 36.76 | 8.32 |
| Profit Transferred to Subsidiary on Industrial Coatings Business (see note 'd' below) | 44.37 | 7.79 |
| Compensation Expenses (see note 'e' below) | 72.00 | 43.94 |
| A | 843.14 | 769.43 |
| Administrative Expenses | | |
| Director's Sitting Fees | 13.20 | 11.25 |
| Rates & Taxes | 11.02 | 12.56 |
| Electricity charges | 33.56 | 37.73 |
| Printing and stationary | 17.68 | 19.15 |
| Telephone & Postage Expenses | 39.22 | 45.65 |
| Insurance | 37.10 | 16.26 |
| Motor car Expenses | 41.99 | 40.56 |
| Auditors Remuneration | 3.37 | 3.37 |
| Legal, Professional & Consultancy fees | 100.31 | 89.73 |
| Repairs & Maintenance Buildings | 3.50 | 1.45 |
| Repairs & Maintenance Others | 106.10 | 102.63 |
| Miscellaneous Expenses | 37.37 | 51.84 |
| Donation | 0.23 | 0.26 |
| Sales Tax & Other Taxes | 51.08 | 5.50 |
| Loss on Sale of Fixed Asset | 0.10 | 2.54 |
| Provision for Doubtful Debts | 24.09 | 1.53 |
| Input Service Tax Disallowed | 5.64 | 13.16 |
| Foreign Exchange Fluctuation Loss | (14.40) | 13.20 |
| Bad Debts Written Off | 65.55 | 50.30 |
| B | 576.71 | 518.67 |

Notes on Financial Statements for the year ended 31st March, 2015

| | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) |
|--|---------------------------|---------------------------|
| Selling and Distribution Expenses | | |
| Carriage outwards | 187.88 | 190.68 |
| Rent | 25.12 | 23.33 |
| Commission on sales | 43.44 | 38.34 |
| Travelling Expenses | 155.95 | 154.23 |
| Conveyance Expenses | 55.36 | 54.25 |
| Royalty Expenses | 30.85 | 39.02 |
| Advertising & Publicity Expenses | 28.44 | 31.18 |
| Packing Expenses | 6.45 | 4.75 |
| Sales Promotion Expenses | 47.92 | 65.86 |
| | C | |
| | 581.41 | 601.64 |
| | (A+B+C) | |
| | 2,001.26 | 1,889.74 |
| Less :Reimbursement of Expenses | 341.28 | 302.22 |
| | Total | |
| | 1,659.98 | 1,587.52 |

- a. As per the terms of the Joint Venture agreement with Henkel KGA Germany, the Pre Treatment Chemicals (PTC) business of Chembond Chemicals Ltd. has been merged with the joint venture Henkel Chembond Surface Technologies Ltd. "Profit transferred to JV on PTC Business" aggregating ₹ 39.55 lakhs (Previous year ₹ 119.81 lakhs) included in Manufacturing Expenses represents transfer by overriding title to Henkel Chembond Surface Technologies Ltd., the income arising on account of the said Pre Treatment Chemicals business that arose in Chembond Chemicals Ltd.
- b. As per the terms of the Joint Venture agreement with Solenis International Holding Inc U.S.A. the Water Treatment Chemicals (WTC) business of Chembond Chemicals Ltd. has been merged with the Joint Venture Chembond Solenis Water Technologies Ltd. "Profit Transferred to Subsidiary on WTC Business" aggregating ₹ 90.95 lakhs (Previous year ₹ 71.30 lakhs) included in Manufacturing Expenses represents transfer by overriding title to Chembond Solenis Water Technologies Ltd., the income arising on account of the said Water Treatment Chemicals business that arose in Chembond Chemicals Ltd.
- c. As per the terms of agreement the Enzyme Chemicals business of Chembond Chemicals Ltd. has been merged with Company Chembond Bioengineering Co Ltd., (100% Subsidiary of Chembond Ezyme Company Ltd.) "Profit Transferred to Associate on Enzymes Business" aggregating ₹ 36.76 lakhs (Previous year ₹ 8.32 lakhs) included in manufacturing expenses represents transfer by overriding title to Chembond Bioengineering Co Ltd., the income arising on account of the said Enzyme Chemical business that arose in Chembond Chemicals Ltd.
- d. As per the terms of agreement the Industiral Coating business of Chembond Chemicals Ltd. has been merged with Company Chembond Inver Coatings Ltd. "Profit Transferred to Subsidiary on Industrial Coatings Buisness" aggregating ₹ 44.37 lakhs (Previous year ₹ 7.79 lakhs) included in manufacturing expenses represents transfer by overriding title to Chembond Inver Coatings Ltd., the income arising on account of the said Industrial Coating business that arose in Chembond Chemicals Ltd.
- e. Compensation Expenses represents amount payable to related party Protochem Industries Pvt. Ltd. on account of their Proprietary products being manufactured & sold by Chembond Chemicals Limited.
- f. **Auditor's Remuneration consists of:**

| | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) |
|----------------------------|---------------------------|---------------------------|
| Statutory Audit Fees | 1.85 | 1.85 |
| Tax Audit Fees | 0.90 | 0.90 |
| Taxation and Other Matters | 0.62 | 0.62 |
| | Total | |
| | 3.37 | 3.37 |

Notes on Financial Statements for the year ended 31st March, 2015

27 Lease

The Company normally acquires offices, warehouses and vehicles under non-cancellable operational leases. Minimum lease payments outstanding at year end in respect of these assets are as under:

| | Total Minimum Lease Payment Outstanding as on 31/03/2015 (₹ in lakhs) | Total Minimum Lease Payment Outstanding as on 31/03/2014 (₹ in lakhs) |
|---|--|--|
| Due within one year | 58.17 | 59.52 |
| Due later than one year and not later than five years | 30.43 | 47.92 |
| Due later than five years | - | - |
| Lease payments recognised in the Statement of Profit & Loss | 48.14 | 48.89 |

28 Earnings Per Share

| | 2014-2015 | 2013-2014 |
|---|------------------|-----------|
| Net Profit available to Equity Shareholders (₹ In Lakhs) | 558.33 | 392.43 |
| Total number of Equity Shares (Face value of ₹ 10/- each fully paid up) | 6,660,412 | 6,660,412 |
| Weighted No. of Equity Shares | 6,660,412 | 6,660,412 |
| Basic Earnings per Share (in ₹) | 8.38 | 5.89 |
| Diluted No. of Equity Shares | 6,833,361 | 6,859,141 |
| Diluted Earnings per Share (in ₹) | 8.17 | 5.72 |

29 Value of Imports Calculated on CIF Basis

Raw Materials and Finished Goods

| | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) |
|--------------|-----------------------------------|---------------------------|
| | 2,912.80 | 2,999.55 |
| Total | 2,912.80 | 2,999.55 |

30 Expenditure in Foreign Currency

Professional Fees

Travelling

| | 2014-2015 | 2013-2014 |
|-------------------|------------------|-------------|
| Professional Fees | 8.54 | 8.17 |
| Travelling | 0.86 | 0.25 |
| Total | 9.40 | 8.42 |

31 Earnings in Foreign Exchange

Export of Goods on FOB Basis

| | 2014-2015 | 2013-2014 |
|------------------------------|------------------|---------------|
| Export of Goods on FOB Basis | 369.65 | 456.85 |
| Total | 369.65 | 456.85 |

32 Remittance in Foreign Currency

FINAL DIVIDEND

No. of Shareholder

No. of Shares held

Dividend Remitted - ₹ in Lakhs

Year to which it relates

| | 2013-2014 | 2012-2013 |
|--------------------------------|------------------|-----------|
| No. of Shareholder | 1 | 1 |
| No. of Shares held | 72,800 | 72,800 |
| Dividend Remitted - ₹ in Lakhs | 2.07 | 2.07 |

Notes on Financial Statements for the year ended 31st March, 2015

33 Segment Reporting

The Company has determined that it operates in a single business segment, namely "Speciality Chemicals". Therefore the information pursuant to the Accounting Standard 17 - "Segment Reporting" issued by the Institute of Chartered Accountants of India is not applicable.

34 Employee Stock Option Plan

The Board at its meeting held on July 30, 2011, approved an issue of Stock Options up to a maximum of 5% of the issued Equity Share Capital of the Company aggregating to 3,18,000 Equity Shares in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 subject to the approval of the shareholders under Section 81(1A) of the Companies Act, 1956. The Shareholders of the Company at the Annual General Meeting held on September 10, 2011 approved the aforesaid issue of 3,18,000 Equity Shares of the Company under one or more Employee Stock Option Scheme(s). The Compensation & Nomination Committee has approved the following grants to a list of senior level executives of the Company and some of its Subsidiaries in accordance with the Chembond Chemicals Employees' Stock Option Plan, 2012

| Date of Grant | Exercise Price | Options Granted | Vesting Commences On | Options | | | | | Basis of Vesting |
|---------------|----------------|-----------------|----------------------|-----------------|---------------|---------------|---------------|-----------------|-------------------|
| | | | | To be vested | Lapsed | Exercised | Vested | Yet to Vest | |
| 8-Sep-2012 | 153 | 2,32,781 | 8-Sep-2013 | 40,525 | 7,350 | 15,950 | 17,225 | 0 | Time Based |
| | | | 1-Oct-2014 | 50,187 | 13,318 | NA | 36,869 | 0 | Performance Based |
| | | | 1-Oct-2015 | 59,850 | 16,090 | NA | 0 | 43,760 | Performance Based |
| | | | 1-Oct-2016 | 82,219 | 23,074 | NA | 0 | 59,145 | Performance Based |
| | | 2,32,781 | | 2,32,781 | 59,832 | 15,950 | 54,094 | 1,02,905 | |

Out of the above option granted 59,832 options have been lapsed due to resignation of the Employees.

Out of 15,950 options exercised the Company has upto March 31, 2015 received amount aggregating ₹ 24.10 lakhs in respect of 15,750 shares and this amount is shown as ESOP share Application Money received.

The fair value of options used to compute Proforma net profit and earnings per Equity Share have been estimated on the date of the grant using Black-Scholes model by an Independent Consultant.

The key assumptions used in Black-Scholes model for calculating fair value as on the date of the grant are:

| | |
|---|------------|
| Date of Grant | 8-Sep-12 |
| Risk Free Interest Rate | 8.25% |
| Expected Life | 3.34 years |
| Expected Volatility | 42% |
| Dividend Yield | 1.38% |
| Price of the underlying Share in the Market at the time of the Option Grant | 170 |
| Fair Value of the Option | 68 |

35 Related Party Disclosures

Related party disclosures as required under Accounting Standard on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given below:

a) Relationship:

i. **Subsidiary Companies:**

Chembond Solenis Water Technologies Ltd., Protochem Industries Pvt. Ltd., Chembond Clean Water Technologies Ltd. and Chembond Inver Coatings Ltd.

ii. **Joint Venture:**

Henkel Chembond Surface Technologies Ltd.

Notes on Financial Statements for the year ended 31st March, 2015

iii. Associates:

Chembond Distribution Ltd., Chembond Enzyme Company Ltd. & Chembond Bioengineering Company Ltd. (Subsidiary of Associate)

iv. Key Management Personnel and their Relative (KMP)

Key Management Personnel:

Sameer V. Shah, Nirmal V. Shah, Ashwin R. Nagarwadia, Perviz H. Dastur, Bhadresh D. Shah, O. P. Malhotra, Mahendra K. Ghelani, Sushil U. Lakhani, Jawahar L. Mehta

Relatives :

Dr. Vinod D. Shah, Padma V. Shah, Gulu P. Dastur, Dr. Shilpa S. Shah, Mamta N. Shah, Alpana S. Shah, Jyoti N. Mehta, Zarna K. Shah, Amrita S. Shah, Malika S. Shah

Entities over which Key Management personnel are able to exercise influence :

CCL Opto Electronics Pvt. Ltd., Finor Piplaj Chemicals Ltd., S and N Ventures Ltd., GTK Intermediates Pvt. Ltd., & Visan Holdings and Financial Services Pvt. Ltd.

b) The following transactions were carried out with related parties in the ordinary course of business

(₹. in lakhs)

| For the year ended / as on Description of the nature of transactions | 2014-15 | | | | | 2013-14 | | | | |
|---|-----------------|------------------|---------------|-----------------|------------------|-----------------|------------------|--------------|---------------|------------------|
| | Subsidiary | Joint Venture | Associates | KMP | Total | Subsidiary | Joint Venture | Associates | KMP | Total |
| Sales of Goods | 4,462.93 | 10,870.61 | 150.51 | 3.44 | 15,487.49 | 3,467.22 | 10,390.93 | 93.82 | 10.90 | 13,962.87 |
| Chembond Solenis Water Technologies Ltd. | 4,087.84 | | | | 4,087.84 | 3,333.30 | | | | 3,333.30 |
| Protochem Industries Pvt. Ltd. | 195.42 | | | | 195.42 | 132.22 | | | | 132.22 |
| Chembond Clean Water Technologies Ltd. | | | | | | | | | | |
| Chembond Inver Coatings Ltd. | 179.67 | | | | 179.67 | 1.70 | | | | 1.70 |
| Henkel Chembond Surface Technologies Ltd. | | 10,870.61 | | | 10,870.61 | | 10,390.93 | | | 10,390.93 |
| Chembond Distribution Ltd. | | | 150.51 | | 150.51 | | | 93.82 | | 93.82 |
| Finor Piplaj Chemicals Ltd. | | | | 2.87 | 2.87 | | | | 10.57 | 10.57 |
| GTK Intermediates Pvt. Ltd. | | | | 0.57 | 0.57 | | | | 0.33 | 0.33 |
| Purchase of Goods | 300.48 | 844.94 | 139.98 | 1,296.41 | 2,581.82 | 227.73 | 811.16 | 28.39 | 894.59 | 1,961.87 |
| Chembond Solenis Water Technologies Ltd. | 10.03 | | | | 10.03 | 17.82 | | | | 17.82 |
| Protochem Industries Pvt. Ltd. | 253.95 | | | | 253.95 | 209.68 | | | | 209.68 |
| Chembond Clean Water Technologies Ltd. | 36.50 | | | | 36.50 | 0.23 | | | | 0.23 |
| Henkel Chembond Surface Technologies Ltd. | | 844.94 | | | 844.94 | | 811.16 | | | 811.16 |
| Chembond Distribution Ltd. | | | 139.98 | | 139.98 | | | 28.39 | | 28.39 |
| Finor Piplaj Chemicals Ltd. | | | | 1,220.32 | 1,220.32 | | | | 796.17 | 796.17 |
| GTK Intermediates Pvt. Ltd. | | | | 76.10 | 76.10 | | | | 94.31 | 94.31 |
| Purchase of Fixed Assets | 0.23 | | | | 0.23 | | | | 2.44 | 2.44 |
| Chembond Clean Water Technologies Ltd. | 0.23 | | | | 0.23 | | | | | |
| CCL Opto Electronics Pvt. Ltd. | | | | | | | | | 2.44 | 2.44 |
| Reimbursement of Expenses | 341.28 | | | | 341.28 | 302.22 | | | | 302.22 |
| Chembond Solenis Water Technologies Ltd. | 341.28 | | | | 341.28 | 302.22 | | | | 302.22 |
| Rent Income | 9.12 | 7.10 | 0.48 | 0.72 | 17.42 | 17.37 | 11.34 | 0.48 | 0.72 | 29.91 |
| Chembond Solenis Water Technologies Ltd. | 3.42 | | | | 3.42 | 2.10 | | | | 2.10 |
| Chembond Clean Water Technologies Ltd. | 3.30 | | | | 3.30 | 3.30 | | | | 3.30 |
| Chembond Inver Coatings Ltd. | 2.40 | | | | 2.40 | 11.97 | | | | 11.97 |
| Henkel Chembond Surface Technologies Ltd. | | 7.10 | | | 7.10 | | 11.34 | | | 11.34 |
| Chembond Enzyme Co. Ltd. | | | 0.24 | | 0.24 | | | 0.24 | | 0.24 |
| Chembond Distribution Ltd. | | | 0.24 | | 0.24 | | | 0.24 | | 0.24 |
| Finor Piplaj Chemicals Ltd. | | | | 0.72 | 0.72 | | | | 0.72 | 0.72 |
| Service Charges | | 206.66 | | | 206.66 | 18.98 | 155.87 | | | 174.85 |
| Chembond Clean Water Technologies Ltd. | | | | | | 18.98 | | | | 18.98 |
| Henkel Chembond Surface Technologies Ltd. | | 206.66 | | | 206.66 | | 155.87 | | | 155.87 |
| Interest Income | 5.52 | | | | 5.52 | 44.01 | | | | 44.01 |
| Chembond Clean Water Technologies Ltd. | | | | | | 37.50 | | | | 37.50 |
| Chembond Inver Coatings Ltd. | 5.52 | | | | 5.52 | 6.51 | | | | 6.51 |
| Dividend Income | 288.75 | | | | 288.75 | 192.50 | | | | 192.50 |
| Chembond Solenis Water Technologies Ltd. | 288.75 | | | | 288.75 | 192.50 | | | | 192.50 |
| Interest Expenses | | | 8.81 | 79.93 | 88.75 | | | 8.60 | 85.28 | 93.89 |
| Chembond Enzyme Co. Ltd. | | | 8.81 | | 8.81 | | | 8.60 | | 8.60 |

Notes on Financial Statements for the year ended 31st March, 2015

| For the year ended / as on Description of the nature of transactions | 2014-15 | | | | | 2013-14 | | | | |
|---|---------------|------------------|--------------|---------------|---------------|---------------|------------------|--------------|---------------|---------------|
| | Subsidiary | Joint Venture | Associates | KMP | Total | Subsidiary | Joint Venture | Associates | KMP | Total |
| Dr. Vinod D. Shah | | | | 16.53 | 16.53 | | | | 12.10 | 12.10 |
| Padma V. Shah | | | | 6.83 | 6.83 | | | | 7.12 | 7.12 |
| O.P. Malhotra | | | | 1.87 | 1.87 | | | | 1.88 | 1.88 |
| Zarna K. Shah | | | | 0.06 | 0.06 | | | | 0.13 | 0.13 |
| Nirmal V. Shah | | | | 1.24 | 1.24 | | | | 1.64 | 1.64 |
| Jyoti N. Mehta | | | | 0.00 | 0.00 | | | | 0.00 | 0.00 |
| Alpana S. Shah | | | | 0.01 | 0.01 | | | | 0.01 | 0.01 |
| Ashwin R. Nagarwadia | | | | 18.75 | 18.75 | | | | 18.71 | 18.71 |
| Perviz H. Dastur | | | | 12.50 | 12.50 | | | | 12.50 | 12.50 |
| Gulu P. Dastur | | | | 18.84 | 18.84 | | | | 24.20 | 24.20 |
| Amrita S. Shah | | | | 1.57 | 1.57 | | | | 0.28 | 0.28 |
| Malika S. Shah | | | | 1.25 | 1.25 | | | | 1.03 | 1.03 |
| Bhadresh D. Shah | | | | 0.25 | 0.25 | | | | 0.29 | 0.29 |
| CCL Opto Electronics Pvt. Ltd. | | | | 0.24 | 0.24 | | | | 4.40 | 4.40 |
| Rental Expenses | | 8.88 | | 6.00 | 14.88 | | | 8.88 | 1.00 | 9.88 |
| Henkel Chembond Surface Technologies Ltd. | | 8.88 | | | 8.88 | | 8.88 | | | 8.88 |
| Finor Piplaj Chemicals Ltd. | | | | 6.00 | 6.00 | | | | 1.00 | 1.00 |
| Director Remuneration | | | | 72.00 | 72.00 | | | | 66.66 | 66.66 |
| Sameer V. Shah | | | | 36.00 | 36.00 | | | | 34.00 | 34.00 |
| Nirmal V. Shah | | | | 36.00 | 36.00 | | | | 32.66 | 32.66 |
| Director Sitting Fees | | | | 13.00 | 13.00 | | | | 12.60 | 12.60 |
| Ashwin Nagarwadia | | | | 4.00 | 4.00 | | | | 2.20 | 2.20 |
| Perviz H. Dastur | | | | 2.00 | 2.00 | | | | 2.00 | 2.00 |
| Mahendra K. Ghelani | | | | 3.00 | 3.00 | | | | 2.80 | 2.80 |
| Jawahar L. Mehta | | | | 1.00 | 1.00 | | | | 1.20 | 1.20 |
| O.P. Malhotra | | | | 1.00 | 1.00 | | | | 1.00 | 1.00 |
| Sushil Lakhani | | | | 2.00 | 2.00 | | | | 2.00 | 2.00 |
| Commission to Directors | | | | 2.00 | 2.00 | | | | 4.00 | 4.00 |
| Ashwin Nagarwadia | | | | 2.00 | 2.00 | | | | 3.80 | 3.80 |
| Mahendra Ghelani | | | | | | | | | 0.20 | 0.20 |
| Retirement Benefits | | | | 30.00 | 30.00 | | | | 30.00 | 30.00 |
| Dr. Vinod D. Shah | | | | 30.00 | 30.00 | | | | 30.00 | 30.00 |
| Salaries | | | | 19.73 | 19.73 | | | | 18.55 | 18.55 |
| Bhadresh D. Shah | | | | 19.73 | 19.73 | | | | 18.55 | 18.55 |
| WTC/PTC/Enzyme/Industrial Coatings Compensation /Protochem Compensation Expenses | 207.32 | 39.55 | 36.76 | | 283.63 | 123.03 | 119.81 | 8.32 | | 251.16 |
| Chembond Solenis Water Technologies Ltd. | 90.95 | | | | 90.95 | 71.30 | | | | 71.30 |
| Protochem Industries Pvt. Ltd. | 72.00 | | | | 72.00 | 43.94 | | | | 43.94 |
| Henkel Chembond Surface Technologies Ltd. | | 39.55 | | | 39.55 | | 119.81 | | | 119.81 |
| Chembond Enzyme Co. Ltd. | | | 36.76 | | 36.76 | | | 8.32 | | 8.32 |
| Chembond Inver Coatings Ltd. | 44.37 | | | | 44.37 | 7.79 | | | | 7.79 |
| Royalty | | | | 30.85 | 30.85 | | | | 39.02 | 39.02 |
| S and N Ventures Ltd. | | | | 30.85 | 30.85 | | | | 39.02 | 39.02 |
| Balance at the end of the year | | | | | | | | | | |
| A. Loans taken | | | 72.46 | 272.35 | 344.81 | | | 70.50 | 812.25 | 882.76 |
| Chembond Enzyme Co. Ltd. | | | 72.46 | | 72.46 | | | 70.50 | | 70.50 |
| Dr. Vinod D. Shah | | | | | | | | | 175.50 | 175.50 |
| Padma V. Shah | | | | | | | | | 72.50 | 72.50 |
| Zarna K. Shah | | | | | | | | | 1.00 | 1.00 |
| Nirmal V. Shah | | | | | | | | | 13.13 | 13.13 |
| Jyoti N. Mehta | | | | | | | | | 0.03 | 0.03 |
| Alpana S. Shah | | | | | | | | | 0.10 | 0.10 |
| Ashwin R. Nagarwadia | | | | 154.16 | 154.16 | | | | 150.00 | 150.00 |
| Perviz H. Dastur | | | | 102.77 | 102.77 | | | | 100.00 | 100.00 |
| Gulu P. Dastur | | | | | | | | | 200.00 | 200.00 |
| O.P. Malhotra | | | | 15.42 | 15.42 | | | | 15.00 | 15.00 |
| Amrita S. Shah | | | | | | | | | 20.00 | 20.00 |
| Mallika S. Shah | | | | | | | | | 35.00 | 35.00 |
| Bhadresh D. Shah | | | | | | | | | 4.00 | 4.00 |
| CCL Opto Electronics Pvt. Ltd. | | | | | | | | | 18.00 | 18.00 |

Notes on Financial Statements for the year ended 31st March, 2015

| For the year ended / as on Description of the nature of transactions | 2014-15 | | | | | 2013-14 | | | | |
|---|-----------------|------------------|---------------|---------------|-----------------|-----------------|------------------|---------------|---------------|-----------------|
| | Subsidiary | Joint Venture | Associates | KMP | Total | Subsidiary | Joint Venture | Associates | KMP | Total |
| B. Loans Given | 64.27 | | | | 64.27 | 64.61 | | | | 64.61 |
| Chembond Inver Coatings Ltd. | 64.27 | | | | 64.27 | 64.61 | | | | 64.61 |
| C. Sundry Debtors | 973.22 | 209.30 | 484.91 | | 1,667.43 | 648.73 | 193.52 | 266.48 | | 1,108.73 |
| Chembond Solenis Water Technologies | 685.92 | | | | 685.92 | 503.76 | | | | 503.76 |
| Protochem Industries Pvt. Ltd. | | | | | | | | | | |
| Chembond Clean Water Technologies Ltd. | 112.24 | | | | 112.24 | 105.42 | | | | 105.42 |
| Chembond Inver Coatings Ltd. | 151.60 | | | | 151.60 | 39.55 | | | | 39.55 |
| Henkel Chembond Surface Technologies Ltd. | | 209.30 | | | 209.30 | | 193.52 | | | 193.52 |
| Chembond Distribution Ltd. | | | 484.91 | | 484.91 | | | 266.48 | | 266.48 |
| Protochem Industries Pvt. Ltd. | 23.46 | | | | 23.46 | | | | | |
| D. Sundry Creditors | | | 66.47 | 364.68 | 431.16 | 50.52 | | 26.89 | 196.13 | 273.54 |
| Protochem Industries Pvt. Ltd. | | | | | | 50.52 | | | | 50.52 |
| Chembond Enzyme Company Ltd. | | | 7.84 | | 7.84 | | | 7.86 | | 7.86 |
| Chembond Bioengineering Company Ltd. | | | 58.64 | | 58.64 | | | 19.03 | | 19.03 |
| S and N Ventures Ltd. | | | | 24.24 | 24.24 | | | | 3.94 | 3.94 |
| Finor Piplaj Chemicals Ltd. | | | | 340.44 | 340.44 | | | | 192.19 | 192.19 |
| E. Investments | 1,888.40 | 49.00 | 72.50 | | 2,009.90 | 1,888.40 | 49.00 | 72.50 | | 2,009.90 |
| Chembond Solenis Water Technologies Ltd. | 160.30 | | | | 160.30 | 160.30 | | | | 160.30 |
| Protochem Industries Pvt. Ltd. | 1,052.25 | | | | 1,052.25 | 1,052.25 | | | | 1,052.25 |
| Chembond Clean Water Technologies Ltd. | 580.85 | | | | 580.85 | 580.85 | | | | 580.85 |
| Chembond Inver Coatings Ltd. | 95.00 | | | | 95.00 | 95.00 | | | | 95.00 |
| Henkel Chembond Surface Technologies Ltd. | | 49.00 | | | 49.00 | | 49.00 | | | 49.00 |
| Chembond Distribution Ltd. | | | 23.50 | | 23.50 | | | 23.50 | | 23.50 |
| Chembond Enzyme Company Ltd. | | | 49.00 | | 49.00 | | | 49.00 | | 49.00 |

C In respect of the Company's subsidiaries – Chembond Clean Water Technologies Limited (CCWTL) and Chembond Inver Coatings Limited (CICL) and Associate – Chembond Distribution Limited (CDL), the Company has investments in, loans & advances to and trade receivables as follows :

(₹ in lakhs)

| Particulars | CCWTL | CDL | CICL |
|------------------------|--------|--------|--------|
| Investments in | 580.85 | 23.50 | 95.00 |
| Loans & Advances to | - | - | 64.27 |
| Trade Receivables from | 112.24 | 484.91 | 151.60 |

The net worth of these subsidiaries/associate has eroded. The Company has not made provisions for the above, as the investments are long term and, in the opinion of the Management, the losses are temporary in nature.

36 Information on Joint Ventures

Henkel Chembond Surface Technologies Ltd. (on the basis of Audited Financial Statements)

- Jointly Controlled Entity - Henkel Chembond Surface Technologies Ltd.
Country of Incorporation - India
Percentage of ownership interest - 49%
- Interest in the assets, liabilities, income and expenses with respect to jointly controlled enterprises

| A. Assets: | As at 31/3/2015 | As at 31/3/2014 |
|----------------------------|-------------------------|-------------------------|
| | (₹ in lakhs) Audited | (₹ in lakhs) Audited |
| Fixed Assets | | |
| Tangible Assets | 492.14 | 541.80 |
| Intangible Assets | 20.85 | 26.81 |
| Capital Work-in-Progress | 142.73 | 161.27 |
| Non Current Investments | 0.25 | 0.25 |
| Long Term Loans & Advances | 57.87 | 22.92 |

Notes on Financial Statements for the year ended 31st March, 2015

| | As at 31/3/2015 (₹ in lakhs) Audited | As at 31/3/2014 (₹ in lakhs) Audited |
|--|--|---|
| Current Assets | | |
| Inventories | 609.92 | 628.15 |
| Trade Receivables | 2,204.00 | 2,287.99 |
| Cash and Bank Balances | 375.36 | 59.33 |
| Short Term Loans and Advances | 760.48 | 609.41 |
| B. Liabilities: | | |
| Deferred tax liabilities (Net) | 24.71 | 24.75 |
| Current Liabilities | | |
| Borrowings | - | 397.62 |
| Trade payables | 665.34 | 625.83 |
| Other current liabilities | 369.40 | 287.25 |
| C. Income | 9,413.40 | 8,368.98 |
| D. Expenses | 8,566.17 | 7,724.52 |
| E. Tax | 292.12 | 203.88 |
| 37 Contingent Liabilities not provided for are in respect of : | | |
| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
| a. Sales Tax matter under Appeal | 1,940.92 | 1,925.73 |
| b. Outstanding L.C & Bank Guarantees issued by Bankers. | 94.41 | 215.64 |
| c. Corporate Guarantee given to Bank of India by the Company on behalf of Subsidiaries Chembond Solenis Water Technologies Ltd. & Chembond Clean Water Technologies Ltd. | 900.00 | 900.00 |
| d. Claim against the Company not acknowledged as debts | 9.60 | 9.60 |

Notes on Financial Statements for the year ended 31st March, 2015

38 Derivative Instruments

- a The Company has entered into forward contracts to hedge the foreign currency risks arising from amounts designated in foreign currency. The counter party to such forward contract is a bank. Forward contracts outstanding at the year end are:

| Currency | Exposure to buy/sell | As at 31/3/2015 (₹ in lakhs) | | As at 31/3/2014 (₹ in lakhs) | |
|----------|----------------------|---------------------------------|-----------------|---------------------------------|-----------------|
| | | Foreign Currency | Indian Currency | Foreign Currency | Indian Currency |
| USD | Buy | - | - | 3.11 | 192.88 |

- b Foreign Currency Exposures at the year end not hedged by derivative instruments:

| | | | | | |
|------------|------|--------------|---------------|------|--------|
| US Dollars | Buy | 12.52 | 795.30 | 8.99 | 540.23 |
| Euro | Buy | 2.38 | 182.82 | 1.53 | 126.09 |
| US Dollars | Sell | 2.60 | 165.37 | 1.92 | 115.59 |

- 39 The previous year figures have been regrouped, reallocated or reclassified wherever necessary to conform to current year classification and presentation.

As per our attached report of even date

For and on behalf of the Board of Directors

For M/s Kastury & Talati
Chartered Accountants

Sameer V. Shah
Chairman & Managing Director

Nirmal V. Shah
Vice Chairman & Managing Director

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 21st May 2015

Perviz H. Dastur
Director
Mumbai, 21st May 2015

Rashmi S. Gavli
Chief Financial Officer

Varadvinayak Khambete
Company Secretary

Independent Auditor's Report

To the Members of

Chembond Chemicals Limited

1. Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Chembond Chemicals Limited** (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") its joint venture and its associates (including their subsidiary) which comprise the consolidated Balance Sheet as at March 31, 2015, the consolidated Statement of Profit and Loss, the consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as the "Consolidated Financial Statements").

2. Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its joint venture and its associates (including their subsidiary) in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and its joint venture and its associates (including their subsidiary) are responsible for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its joint venture and its associates (including their subsidiary) and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

While conducting the Audit, We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial control system over financial reporting and the operative effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub paragraph 6 in the Other Matters paragraph below is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries, joint venture and its

associates (including their subsidiary) referred to below in the Other Matters paragraph, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group, its joint venture and its associates (including their subsidiary) as at March 31, 2015 its consolidated Profit and its consolidated Cash Flows for the year ended on that date.

5. Emphasis of Matter

Reference is invited to Note No 17b of the Notes on Consolidated Financial Statements. The parent Company has debts due from one of its Associate. The net worth of this Associate has eroded. Provision has not been made in this respect as the investment is long term and, in the opinion of the Management, the losses are temporary in nature.

Our opinion is not modified in respect of this matter.

6. Other Matters

- i. We did not audit the financial statements of three Subsidiaries. These financial statements and other financial information have been audited by another auditor whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub section (3) and (11) of Section 143 of the Act in so far as it relates to these subsidiaries, is based solely on the reports of that other auditor. The financial statements of these three Subsidiaries reflect total assets of ₹ 5,726.12 lakhs as at 31st March 2015, total revenues of ₹ 9,928.68 lakhs and net cash flows of ₹ (350.74) lakhs for the year ended on that date.
- ii. The Financial Statements of one subsidiary which reflect total assets of ₹ 196.79 lakhs as at 31st March 2015, total revenues of ₹ 183.53 lakhs and net cash flows of ₹ 6.42 lakhs for the year ended on that date, have been audited by us.
- iii. We did not audit the financial statements of the Joint Venture Company. These financial statements and other financial information have been audited by another auditor whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this Joint Venture Company, and our report in terms of sub section (3) and (11) of Section 143 of the Act in so far as it relates to this Joint Venture Company, is based solely on the reports of that other auditor. The Financial Statements of the Joint Venture Company reflect total assets of ₹ 9,517.61 lakhs as at 31st March 2015, total revenues of ₹ 19,211.03 lakhs and net cash flows of ₹ 644.98 lakhs for the year ended on that date.
- iv. The Financial Statement of the Associates (including its Subsidiary) for the year ended 31st March, 2015 has been audited by another auditor whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these Associates, and our report in terms of sub section (3) and (11) of Section 143 of the Act in so far as it relates to these Associates, is based solely on the reports of that other auditor.

Our opinion on the consolidated financial statement and our report on the Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with regard to our reliance on the work done and the reports of the other auditors and the financial statements and information certified by the management.

7. Report on Other Legal and Regulatory Requirements

- A. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, based on the comments in the auditor's report of the Holding Company, the joint venture company, the subsidiary companies and the associate companies, to the extent reported by the statutory auditors of such companies, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order to the extent applicable.
- B. As required by section 143(3) of the Act, we report to the extent applicable that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - b. In our opinion proper books of accounts as required by law relating to the preparation of the aforesaid consolidated financial statements have been kept by the Company so far as it appears from our examination of those books and the reports of the other auditors.

- c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e. On the basis of the written representations received from the Directors of the Holding Company as on March 31, 2015, and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of the joint venture company, the subsidiary companies and the associate companies to the extent reported by the statutory auditors of such companies, none of the directors of the Group Companies, its associate companies and joint venture company is disqualified as on March 31, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
 - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associates and joint venture company in its consolidated financial statements – refer Note no 31 to the consolidated financial statements.
 - ii. In our opinion and as per the information and explanations provided to us, the Group, its associates and joint venture company have not entered into any long-term contracts including derivative contracts, requiring provision under applicable laws or accounting standards, for material foreseeable losses.
 - iii. There has been no delay in transferring the amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiary companies, its associate companies and joint venture company.

For **M/s Kastury & Talati**
Chartered Accountants
Firm's Registration No:104908W

Dhiren P. Talati
Partner
Membership No: F/41867
Mumbai, 21st May, 2015

Annexure to the Independent Auditor's Report on the Consolidated Financial Statements

The annexure referred to in paragraph 7A under "Report on Other Legal and Regulatory Requirements" section of our report of even date for the year ended March 31, 2015.

Our reporting on the Order includes three subsidiary companies and one joint venture company to which the Order is applicable, which have been audited by other auditors and our report in respect of these entities is based solely on the reports of the other auditors, to the extent considered applicable for reporting under the order in the case of the consolidated financial statements.

We report that:

- i. In respect of the Fixed assets of the Holding Company, subsidiary companies and joint venture company
 - (a) The respective entities have maintained proper records showing full particulars including quantitative details and situation of fixed assets. However as explained to the other auditors of three subsidiaries, the management is in the process of updating records for proper presentation, classification and reconciliation of certain fixed assets.
 - (b) During the year, the Management of the Holding Company and the subsidiary companies had carried out physical verification of these assets at regular interval and in respect of the Joint Venture Company, certain fixed assets were physically verified by the management in accordance with a program of verification. We and other auditors have been informed that no material discrepancies were noticed on such verification as compared to the available records. In our opinion and the opinion of the other auditors, the frequency of physical verification of Assets is reasonable having regard to the size of the respective entities and the nature of its Fixed Assets.
- ii. In respect of the Inventories of the Holding Company, subsidiary companies and joint venture company
 - (a) As explained to us and the other auditors, the inventories (except goods in transit in respect of the Joint Venture Company) have been physically verified during the year by the Management of the respective entities at reasonable intervals.
 - (b) In our opinion and the opinion of the other auditors the procedures of physical verification of inventory followed by the Management of the respective entities are reasonable and adequate in relation to the size of the respective entities and the nature of their businesses.
 - (c) In our opinion and the opinion of the other auditors and according to information and explanations provided to us, the respective entities have maintained proper records of their inventories and no material discrepancies have been noticed on physical verification of inventory as compared to book records.
- iii. (a) The Holding Company has granted unsecured loans to a subsidiary company covered in the register maintained under section 189 of the Companies Act, 2013.
 - (b) In the case of the loan granted by the Holding Company to the subsidiary company, the borrower has been regular in the payment of the interest as stipulated. The terms of arrangements do not stipulate any repayment schedule and the loan is repayable on demand.
 - (c) Since there is no stipulation with regard to the repayment of the loan, no amount is overdue.
- iv. In our opinion and the opinion of the other auditors and according to the information and explanations given to us and the other auditors, except in respect of certain items of inventory of the Joint Venture Company which are of special nature for which suitable alternative sources do not exist, there is an adequate internal control procedures commensurate with the size of the respective Company and the nature of its business with regard to purchases of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our and other auditors examination of the books and records of the respective Companies, and according to the information and explanations given to us and the other auditors, we and the other auditors have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- v. In our opinion and according to the information and explanations given to us, the Holding Company has complied with the directives issued by the Reserve Bank of India and the provisions of section 73 to 76 and other relevant provisions of the Companies Act, 2013 and the rules framed there under to the extent applicable with regard to the deposits accepted from the public. As informed to us no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this respect. The auditors of the subsidiary Companies and the Joint Venture Company have reported that the respective Companies have not accepted any deposits from the Public within the meaning of sections 73 to 76 of the Act.
- vi. We and the other auditors have broadly reviewed the books of accounts maintained by the respective Companies pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 1956, and we and the other auditors are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. Neither we nor the other auditors have, however, made a detailed examination of the records for determining whether they are accurate or complete.
- vii. (a) According to the information and explanation given to us and the other auditors, in our and the other auditors opinion, except in case of NMMC Cess amounting to ₹ 0.33 Lakhs in respect of one of the Subsidiary, the respective Companies are generally regular in depositing with the appropriate authorities, the undisputed statutory dues including provident fund, employee's state insurance, income tax, sales tax, services tax, custom duty, excise duty, cess and other material statutory dues as applicable.

According to the information and explanations given to us and the other auditors, no undisputed amounts payable in respect of sales tax, service tax, customs duty and excise duty except in case of NMMC Cess amounting to ₹ 0.22 Lakhs in respect of one of the Subsidiary were in arrears as at 31.03.2015 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, customs duty and excise duty which have not been deposited on account of any dispute except as follows :

| Nature of Dues | Amount (₹ in lakhs) | Period for which the amount relates | Forum where the dispute is pending |
|----------------------------|---------------------------------------|--|---|
| Maharashtra VAT and CST | 52.55 1843.62 29.54 | 2006-07 2008-09 2009-10 | Joint Commissioner of Sales-tax (Appeals) |
| Gujarat VAT and CST | 15.21 | 2009-10 | VAT Tribunal |
| Central Sales Tax | 06.35 | 1999-00 | Commercial Tax Officer Chennai |
| Bombay Sales Tax | 0.82 | 2002-03 | Dy. Commissioner of Sales Tax, Mumbai |
| Gujarat VAT | 6.61 | 2010-11 | Assistant Commissioner of Commercial Tax Vadodra |
| Income Tax | 3.86 | 2008-09 | Commissioner of Income Tax (Appeals) Mumbai |
| Income Tax | 23.37 | 2009-10 | Assistant Commissioner of Income Tax |
| Income Tax | 38.53 | 2010-11 | Assistant Commissioner of Income Tax |
| Income Tax | 25.65 | 2011-12 | Assistant Commissioner of Income Tax |
| Service Tax | 446.30 (paid under protest 107.15) | 2006-07 to 2011-12 | Central Excise and Service Tax Appellate Tribunal |
| Central Sales Tax | 46.42 (paid under protest 8.00) | 2003-04 | Commissioner of Sales Tax, Jharkhand |

- (c) According to the information and explanations given to us in respect of the Holding Company the amounts which were required to be transferred to the investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules there under has been transferred to such fund within time. In respect of the subsidiaries and the Joint Venture Company no amounts were required to be transferred to the investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules there under.
- viii. The Holding Company, one of the Subsidiary Company and the Joint Venture Company does not have any accumulated losses as at the balance sheet date and these Companies have not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year. One of the Subsidiary Company does not have any accumulated losses at the end of the financial year and has neither incurred cash losses in the current financial year. However the said subsidiary incurred cash losses in the immediately preceding financial year amounting to ₹ 150.18 Lakhs. Another Subsidiary has accumulated losses of ₹ 885.68 Lakhs at the end of the Financial Year which is more than 50% of its net worth. In respect of this subsidiary, there is no Cash loss incurred during the financial year, however it has incurred cash loss of ₹ 245.07 Lakhs in the immediately preceding financial year.
- ix. According to the records of the Company examined by us and the other auditors and the information and explanations given to us and the other auditors neither the Holding Company nor the subsidiary Companies has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date. The Joint Venture Company does not have any borrowings from any financial institution or bank. None of the entities have issued any debentures as at the balance sheet date.
- x. In our opinion, the terms and conditions on which the Holding Company has given guarantees for loans taken by others from banks are not prejudicial to the interest of the Company. Neither the subsidiary Companies nor the Joint Venture Company has given guarantees for loans taken by others from banks or financial institutions
- xi. In respect of Term Loans of the Holding Company, in our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purpose for which they were obtained. None of the Subsidiaries had any term loan outstanding during the year. The Joint venture Company has not raised any Term Loans.
- xii. According to the information and explanations given to us and the other auditors, no material fraud on or by the Company has been noticed or reported during the year.

For **M/s Kastury & Talati**

Chartered Accountants

Firm's Registration No:104908W

Dhiren P. Talati

Partner

Membership No: F/41867

Mumbai, 21st May, 2015

Consolidated Balance Sheet

| | Notes | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|---|-------|---------------------------------|---------------------------------|
| Equity and Liabilities | | | |
| Shareholder's Funds | | | |
| Share Capital | 2 | 666.04 | 666.04 |
| Reserves and Surplus | 3 | 8,858.60 | 7,961.36 |
| | | 9,524.64 | 8,627.40 |
| ESOP Application money received | | 24.10 | - |
| | | 9,548.74 | 9,887.90 |
| Minority Interest | 4 | 1,254.44 | 1,260.50 |
| Non-Current Liabilities | | | |
| Long-term Borrowings | 5 | 199.74 | 969.32 |
| Deferred Tax Liabilities (Net) | 6 | 262.37 | 326.49 |
| Long-term Provisions | 7 | 190.61 | 98.62 |
| | | 652.72 | 1,394.43 |
| Current Liabilities | | | |
| Short-term Borrowings | 8 | 1,967.24 | 2,104.55 |
| Trade Payables | 9 | 4,859.57 | 5,319.82 |
| Other Current Liabilities | 10 | 1,591.90 | 1,328.32 |
| Short-term Provisions | 11 | 411.60 | 482.41 |
| | | 8,830.31 | 9,235.10 |
| Total | | 20,286.21 | 20,517.43 |
| Assets | | | |
| Non-Current Assets | | | |
| Fixed Assets | | | |
| Tangible Assets | 12 | 4,417.95 | 4,610.86 |
| Intangible Assets | 12 | 729.07 | 750.56 |
| Capital Work-in-Progress | 12 | 339.00 | 311.60 |
| | | 5,486.03 | 5,673.02 |
| Non Current Investments | 13 | 77.20 | 56.50 |
| Long-term Loans & Advances | 14 | 604.48 | 362.66 |
| | | 681.68 | 419.16 |
| Current assets | | | |
| Current Investment | 15 | 0.63 | 0.59 |
| Inventories | 16 | 3,050.03 | 3,476.75 |
| Trade Receivables | 17 | 8,604.79 | 8,680.64 |
| Cash and Bank Balances | 18 | 1,607.93 | 1,262.96 |
| Short-term Loans and Advances | 19 | 855.12 | 1,004.31 |
| | | 14,118.50 | 14,425.25 |
| Total | | 20,286.21 | 20,517.43 |
| Significant Accounting Policies and Notes on Financial Statements | 1-37 | | |

As per our attached report of even date

On behalf of the Board of DirectorsFor **M/s Kastury & Talati**
Chartered Accountants**Sameer V. Shah**
Chairman & Managing Director**Nirmal V. Shah**
Vice Chairman & Managing Director**Dhiren P. Talati**
Partner
Membership No. F/41867
Mumbai, 21st May 2015**Perviz H. Dastur**
Director
Mumbai, 21st May 2015**Rashmi S. Gavli**
Chief Financial Officer**Varadvinayak Khambete**
Company Secretary

Consolidated Statement of Profit And Loss

| | Notes | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) |
|---|-------|---------------------------|---------------------------|
| Income | | | |
| Revenue from Operations | 20 | 30,022.85 | 27,445.96 |
| Other Income | 21 | 138.04 | 120.77 |
| Total Revenue | | 30,160.89 | 27,566.73 |
| Expenditure | | | |
| Cost of Materials Consumed | 22 | 17,988.34 | 16,778.14 |
| Purchases of Stock-in-trade | | 383.01 | 725.10 |
| Changes in Inventories of Finished Goods, Work-in-Progress and Traded Goods | 23 | 174.02 | (293.35) |
| Employee Benefits Expense | 24 | 3,885.97 | 3,574.69 |
| Finance Costs | 25 | 361.08 | 402.88 |
| Depreciation and Amortisation Expense | 26 | 432.32 | 281.39 |
| Other Expenses | 27 | 4,928.26 | 4,578.90 |
| Total Expenses | | 28,152.99 | 26,047.75 |
| Profit Before Taxes | | 2,007.90 | 1,518.98 |
| Tax Expenses | | | |
| Current Tax | | 612.14 | 626.08 |
| Deferred Tax | | (44.52) | (19.51) |
| Profit After Tax | | 1,440.27 | 912.41 |
| Less: Short/(Excess) Provision of Tax for earlier Years | | 14.38 | (8.17) |
| Less: Stock Reserve | | 3.29 | 3.73 |
| Add : Share of Profit/(Loss) from Associate | | 20.70 | 6.20 |
| Less: Profit transfer to Minority Interest | | 205.44 | 147.10 |
| Profit for the Year | | 1,237.86 | 775.95 |
| Earning Per Equity Share of Face Value of ₹ 10 each | 28 | | |
| Basic (in ₹) | | 18.59 | 11.65 |
| Diluted (in ₹) | | 18.11 | 11.31 |
| Significant Accounting Policies and Notes on Financial Statements | 1-37 | | |

As per our attached report of even date

On behalf of the Board of DirectorsFor **M/s Kastury & Talati**
Chartered Accountants**Sameer V. Shah**
Chairman & Managing Director**Nirmal V. Shah**
Vice Chairman & Managing Director**Dhiren P. Talati**
Partner
Membership No. F/41867
Mumbai, 21st May 2015**Perviz H. Dastur**
Director
Mumbai, 21st May 2015**Rashmi S. Gavli**
Chief Financial Officer**Varadvinayak Khambete**
Company Secretary

Consolidated Cash Flow Statement

| | 2014 - 15 (₹ in lakhs) | 2013 - 14 (₹ in lakhs) |
|--|---------------------------|---------------------------|
| A Cash Flow from Operating Activities | | |
| Net Profit before tax and extraordinary items | 2,007.90 | 1,518.98 |
| Adjustments for : | | |
| Depreciation | 432.32 | 279.50 |
| Employee ESOP compensation | 2.04 | 9.99 |
| Loss on Sale of assets | 0.10 | 18.79 |
| Foreign Exchange Fluctuation | (21.10) | 36.23 |
| Finance Cost | 361.08 | 402.88 |
| | <u>774.44</u> | <u>747.38</u> |
| Operating Profit before working capital changes | 27,82.34 | 2,266.37 |
| Adjustments for : | | |
| Trade and Other Receivables | 25.65 | (1551.71) |
| Inventories | 423.43 | (204.67) |
| Trade and Other Payables | (47.60) | 1048.14 |
| | <u>401.48</u> | <u>(708.24)</u> |
| Cash generated from operations | 3,183.82 | 1,558.13 |
| Direct Taxes Paid | (763.28) | (591.31) |
| Net Cash from Operating Activities (A) | <u>2,420.54</u> | <u>966.82</u> |
| B Cash Flow from Investing Activities | | |
| Purchase of Fixed Assets | (314.91) | (609.45) |
| Sale of Fixed Assets | 8.54 | 1.01 |
| Sale of Investment | (0.04) | 8.27 |
| Net Cash used in Investing Activities (B) | <u>(306.41)</u> | <u>(600.17)</u> |
| C Cash Flow from Financing Activities | | |
| Equity Contribution from minority Shareholder | - | 95.35 |
| ESOP application Money Received | 24.10 | - |
| Proceeds from Short Term Borrowings | (137.31) | 230.74 |
| Dividend paid | (525.29) | (406.80) |
| Proceeds from Long Term Borrowings | (769.58) | 75.04 |
| Finance Cost | (361.08) | (402.88) |
| Net Cash from Financing Activities (C) | <u>(1,769.16)</u> | <u>(408.56)</u> |
| Net (Decrease)/Increase in Cash & Cash Activities (A+B+C) | 344.97 | (41.91) |
| Cash and Bank Balances as on Opening | 1,262.96 | 1,304.87 |
| Cash and Bank Balances as on Closing | 1,607.93 | 1,262.96 |

As per our attached report of even date

On behalf of the Board of Directors

For **M/s Kastury & Talati**
Chartered Accountants

Sameer V. Shah
Chairman & Managing Director

Nirmal V. Shah
Vice Chairman & Managing Director

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 21st May 2015

Perviz H. Dastur
Director
Mumbai, 21st May 2015

Rashmi S. Gavli
Chief Financial Officer

Varadvinayak Khambete
Company Secretary

Notes to Consolidated Financial Statements

1 Significant Accounting Policies Related to Consolidation

- i) The Consolidated Financial Statements (CFS) presents the Consolidated Accounts of Chembond Chemicals Ltd. (CCL) with its Subsidiaries, its Joint Venture & Associates (including their Subsidiary) and the same are as under.

| Sr. No. | Name of the Company | Status | % of Holding | Country of Incorporation |
|---------|--|---------------|----------------------------|--------------------------|
| A | Chembond Solenis Water Technologies Limited (CSWTL) | Subsidiary | 55.00% | INDIA |
| B | Protochem Industries Pvt. Ltd. (PIPL) | Subsidiary | 100.00% | INDIA |
| C | Chembond Clean Water Technologies Limited (CCWTL) | Subsidiary | 70.17% | INDIA |
| D | Chembond Inver Coatings Limited (CICL) | Subsidiary | 100.00% | INDIA |
| E | Henkel Chembond Surface Technologies Limited (HCSTL) | Joint Venture | 49.00% | INDIA |
| F | Chembond Distribution Limited (CDL) | Associate | 47.00% | INDIA |
| G | Chembond Enzyme Company Ltd. (CECL) | Associate | 49.00% | INDIA |
| H | Chembond Bioengineering Company Ltd. (CBCL) | Associate | 100.00% Subsidiary of CECL | INDIA |

- ii) The Consolidation of Accounts is done in accordance with the requirement of Accounting Standard- 21 "Consolidated Financial Statements", Accounting Standard-23 "Accounting for Investments in Associates, in Consolidated Financial Statement" and Accounting Standard –27 "Financial Reporting of Interests in Joint Ventures" to comply with Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013.
- iii) Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of information, disclosure and a guide to better understanding the consolidated position of the Companies. Recognizing this purpose, the Company has disclosed only such policies and Notes from the individual financial statements, which fairly present the needed disclosures. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which, in the opinion of Management, could be better viewed, when referred from the individual financial statements.
- iv) In respect of subsidiary Companies, the CFS of the group has been prepared by consolidating on a line by line basis by adding together the book values of like items of Assets, Liabilities, Income and Expenses after fully eliminating all inter Company balances and transactions as per Accounting Standard – 21 "Consolidated Financial Statements".
- v) In respect of Joint Venture Company, the CFS of the group have been consolidated as per Accounting Standard-27 "Financial Reporting of Interests in Joint Ventures".
- vi) In respect of Associate Companies, the CFS of the group have been consolidated as per Accounting Standard-23 "Accounting for Investments in Associates in Consolidated Financial Statements" by applying the "Equity Method" of accounting.
- vii) The excess value of Investment by the Holding Company in the subsidiary Companies over the face value of equity of the Subsidiary Company and the share of reserves as on the date of acquisition is reflected as Goodwill on consolidation (adjusted for the effect of sale of of investments) under Fixed Assets. Goodwill on consolidation is not amortised.
- viii) Minority interest represents that part of the net results of operations and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the parent. The amount due to the Minority interest is included in the Note No."4" forming part of Notes on Consolidated Financial Statements.

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

2 Other Significant Accounting Policies

A. System of Accounting

- i. The Company follows the mercantile system of accounting and recognises income and Expenditure on accrual basis.
- ii. Financial Statements are prepared on historical cost basis, adjusted for revaluation of Fixed Assets and as a going concern.

B. Fixed Assets

Fixed Assets in respect of the parent Company are stated at their revalued figures less accumulated Depreciation. The Company capitalises all costs relating to acquisitions and installation of Fixed Assets.

Fixed Assets in respect of the subsidiary Companies & Joint Venture are stated at cost.

C. Expenditure during construction period

Pre-operating Expenditure, Interest on specific borrowings for the project, interest on general (interest bearing) funds of the Company utilized for the purpose of the project upto the date of commencement of commercial production are capitalised pro-rata to the cost of fixed assets.

D. Impairment of Assets

The carrying amount of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

E. Depreciation

Depreciation is allocated over the useful life of the asset as specified in part C of Schedule II of the Companies Act 2013.

Depreciation in the case of subsidiary Companies Chembond Solenis Water Technologies Ltd. (CSWTL) & Chembond Clean Water Technologies Ltd. (CCWTL) are provided on written down value method at the rates specified in part C of Schedule II of the Companies Act, 2013.

Depreciation on fixed assets in case of Subsidiary Company Protochem Industries Pvt. Ltd. (PIPL) & Joint Venture Company Henkel Chembond Surface Technologies Ltd. (HCSTL) is provided on the straight line method at the rates and in the manner specified in part C of Schedule II of the Companies Act, 2013.

Depreciation on fixed assets in case of Associates is provided on the written down value method the rates and in the manner specified in part C of Schedule II of the Companies Act 2013.

No depreciation is provided on land.

F. Revenue Recognition on Sales

The Company recognizes revenue on the sale of Products when the products are delivered to the customers or to the carrier which is when the risks or rewards of ownership pass to the customer.

G. Research & Development

Revenue expenditure on Research & Development are charged to the Profit & Loss Account and capital expenditure are included in Fixed Assets under relevant assets and depreciated on the same basis as other Fixed Assets.

H. Borrowing Costs

Borrowing Costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the costs of such assets. A qualifying asset is one that takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Profit & Loss account.

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

I. Operating Lease

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on accrual basis in accordance with the respective lease agreement.

J. Deferred Taxes

Deferred Income Tax is provided using the liability method on all temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available in the future against which these items can be utilised.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax Assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and the tax laws) that have been enacted subsequent to the Balance Sheet date.

K. Investments

Investments are stated at the cost of acquisition.

L. Valuation of Inventory

Inventories are valued at cost determined on weighted average basis or Net Realisable Value, whichever is lower. Cost of Raw Material Stocks is determined so as to exclude from the cost, taxes and duties which are subsequently recoverable from the taxing authorities.

M. Employee Benefits

- (a) **Provident Fund:** Contributions towards Employees Provident Fund are made to the Employees Provident Scheme in accordance with the statutory provisions.
- (b) **Gratuity:** The Company makes annual contribution to a Gratuity Fund administered by LIC. The Company accounts for liability for future gratuity benefits based on actuarial valuation as at the balance sheet date, determined every year using the Projected Unit Credit Method by an Actuary appointed by the Company.
- (c) **Leave Encashment:** The Company does not allow any accumulation of leave balance or encashment thereof.
- (d) **Deferred Compensation Cost:** In respect of Stock options granted pursuant to Company's Employee Stock Option Schemes, the company determines the compensated cost based on the intrinsic value method and the compensation cost is amortised on a straight line basis over the vesting period.

N. Taxation

Advance payments of Tax including TDS, where assessments are pending are shown net of the corresponding provisions for tax for the year.

O. Foreign Exchange Differences

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the transaction date. Monetary items such as receivables, payables and loans denominated in foreign currency are translated at the exchange rate prevailing at the the balance sheet date. Exchange differences arising on foreign currency transactions are recognised as income/ expenditure in the profit and loss account.

P. Custom duty on Imports

Customs duty on Imports is accounted as and when goods are cleared from the customs authorities.

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

Q. Earning Per Share

Basic earning per share is calculated by dividing the net profit or loss for the period attributable to equity share holders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earning per share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

R. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- the Company has a present obligation as a result of a past event,
- a probable outflow of resources is expected to settle the obligation; and
- the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,
- a present obligation when no reliable estimate is possible; and
- a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognized, nor disclosed.

Provision, Contingent Liabilities and Contingent Assets are reviewed at each balance Sheet date.

S. Hedge Transactions

In case of forward exchange contracts, to hedge the foreign currency risk which is on account of a firm commitment, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

2 Share Capital

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|--|---------------------------------|---------------------------------|
| Authorised | | |
| 1,00,00,000 (1,00,00,000) Equity Shares of ₹10/- each | 1,000.00 | 1,000.00 |
| Issued, Subscribed and Paid up | | |
| 66,60,412 (66,60,412) Equity Shares of ₹10/- each fully paid | 666.04 | 666.04 |
| Total | 666.04 | 666.04 |

a Shares issued for consideration other than cash and bonus shares issued:

Out of the issued, subscribed and paid up share capital, during the last five years

- 1,90,206 (1,90,206) Equity Shares of ₹10/- each have been issued for consideration other than cash
- 31,80,206 (31,80,206) Equity Shares of ₹10/- each have been issued as fully paid Bonus Shares by way of capitalisation of Reserves & Surplus

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

b Details of Shareholders holding more than 5% Shares

| Name of the Shareholder | As at 31/3/2015 | | As at 31/3/2014 | |
|--|-----------------|--------|-----------------|--------|
| | No of Shares | % held | No of Shares | % held |
| Dr. Vinod D. Shah | 9,30,731 | 13.98 | 9,23,771 | 13.87 |
| Padma V. Shah | 7,47,557 | 11.22 | 7,47,557 | 11.22 |
| Visan Holding & Financial Services Pvt. Ltd. | 6,13,618 | 9.21 | 6,12,518 | 9.20 |
| Ashwin R. Nagarwadia | 5,40,632 | 8.12 | 3,85,932 | 5.79 |
| Quest Investment Advisors Pvt. Ltd. | 3,78,600 | 5.67 | 3,64,433 | 5.46 |
| Ajay Sheth | 3,57,582 | 5.36 | 3,88,735 | 5.82 |

c Terms/Rights attached to Equity Shares

The Company has only one class of Equity Shares having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

3 Reserves and Surplus

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|---|---------------------------------|---------------------------------|
| Revaluation Reserve | | |
| As per last year | 54.04 | 55.93 |
| Less : Transfer to Profit & Loss A/c (Refer Note No. 12(b)) | 54.04 | 1.89 |
| | - | 54.04 |
| General Reserve | | |
| As per last year | 1,574.85 | 1,413.48 |
| Add: Transfer from Profit & Loss A/c. | 182.42 | 197.37 |
| Less: Transfer to minority interest | 24.75 | 36.00 |
| | 1,732.52 | 1,574.85 |
| Share Premium | | |
| As per last year | 521.91 | 521.91 |
| | 521.91 | 521.91 |
| Employee Shares Options Outstanding | | |
| Shares Option Outstanding | 33.78 | 39.57 |
| Less: Option Lapsed | 4.38 | 5.79 |
| | 29.40 | 33.78 |
| Less: Deferred Compensation | 11.27 | 17.70 |
| | 18.13 | 16.08 |
| Profit and Loss Account | | |
| As per last year | 5,794.48 | 5,477.55 |
| Less: Transitional Depreciation Provision (Net of Deferred Tax ₹ 19.59 lakhs) | 41.33 | |
| Add: Profit for the Year | 1,237.86 | 775.95 |
| Add: Transfer from Revaluation Reserve | 54.05 | 1.89 |
| | 7,045.06 | 6,255.39 |
| Less: Appropriations | | |
| Transferred to General Reserve | 182.42 | 197.37 |
| Set off of Dividend Tax in respect of Dividend from Subsidiary Company | (13.86) | (33.96) |
| Proposed Dividend | 199.81 | 199.81 |
| Tax on Proposed Dividend | 90.64 | 97.69 |
| | 6,586.04 | 5,794.48 |
| Total | 8,858.60 | 7,961.36 |

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

4 Minority Interest

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|----------------------------------|---------------------------------|---------------------------------|
| <u>Share Capital</u> | | |
| As per last year | 269.46 | 174.10 |
| Addition during the year | - | 95.35 |
| | 269.45 | 269.45 |
| <u>General Reserve</u> | | |
| As per last year | 254.80 | 218.80 |
| Addition during the year | 24.75 | 36.00 |
| | 279.55 | 254.80 |
| <u>Profit & Loss Account</u> | | |
| As per last year | 736.25 | 574.31 |
| Less : Goodwill | - | (172.34) |
| Less : Dividend Paid | 236.25 | 157.50 |
| Addition during the year | 205.44 | 147.10 |
| | 705.44 | 736.25 |
| Total | 1,254.44 | 1,260.50 |

5 Long Term Borrowings

| | As at 31/3/2015 (₹ in lakhs) | | As at 31/3/2014 (₹ in lakhs) | |
|----------------------------|---------------------------------|---------------|---------------------------------|---------|
| | Non Current | Current | Non Current | Current |
| Secured | | | | |
| Term Loan from Banks | 80.00 | 80.00 | 160.00 | 80.00 |
| | 80.00 | 80.00 | 160.00 | 80.00 |
| Unsecured | | | | |
| Loans from Related Parties | 96.54 | 248.27 | 770.34 | 125.91 |
| Loans from Others | 23.20 | - | 38.98 | 27.50 |
| | 119.74 | 248.27 | 809.32 | 153.41 |
| Total | 199.74 | 328.27 | 969.32 | 233.41 |

- a. Term Loan from Banks are secured by Equitable Mortgage on movable & immovable fixed assets & hypothecation of Plant & Machinery of the company .

The maturity profile of these loans are as follows:

| | 1-2 years | 2-3 years | 3-4 years |
|---|-----------|-----------|-----------|
| Term Loan from Banks | 80.00 | NIL | NIL |
| b. Maturity Profile of Unsecured Loans from related parties and others is as follows: | | | |
| | 1-2 years | 2-3 years | 3-4 years |
| Loans from Related Parties | 32.08 | 64.46 | NIL |
| Loans from Others | 23.20 | NIL | NIL |

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

6 Deferred Tax Liability

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|---|---------------------------------|---------------------------------|
| Deferred Tax Liability | | |
| Depreciation | 476.60 | 454.04 |
| | 476.60 | 454.04 |
| Deferred Tax Asset | | |
| Gratuity | 37.36 | 25.29 |
| MAT Credit | 115.39 | 57.39 |
| Due to disallowance of provision/ losses incurred | 21.76 | - |
| Provision for Doubtful Debts | 39.72 | 44.87 |
| | 214.23 | 127.55 |
| Total | 262.37 | 326.49 |

7 Long Term Provision

| | | |
|--|---------------|-------|
| Provision for Gratuity | 153.95 | 98.62 |
| Provision for Indirect tax related matters | 36.66 | - |
| Total | 190.61 | 98.62 |

8 Short Term Borrowings

| | | |
|------------------------|-----------------|----------|
| Secured | | |
| Over Draft Facilities | 331.04 | 323.18 |
| Working Capital Loan | 1,085.20 | 945.96 |
| Buyers Credit Loan | 230.97 | 158.67 |
| Unsecured | | |
| Working Capital Loan | - | 397.62 |
| Buyers Credit Loan | 310.03 | 229.12 |
| Other loans & advances | 10.00 | 50.00 |
| Total | 1,967.24 | 2,104.55 |

- a. Over Draft Facilities are Secured against Fixed Deposit of Subsidiary Company Protochem Industries Pvt. Ltd.
- b. Working Capital / Buyers Credit loan is secured by charge on Current Asset, Mortgage of Tangible Immovable Properties and charge on other fixed assets.

9 Trade Payables

| | | |
|-------------------------------------|-----------------|----------|
| Micro, Small and Medium Enterprises | 25.83 | 75.66 |
| Others | 4,833.74 | 5,244.16 |
| Total | 4,859.57 | 5,319.82 |

For Related party transaction refer Note No. 32

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

10 Other Current Liabilities

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|--------------------------------------|---------------------------------|---------------------------------|
| Current Maturities of Long Term Debt | 328.27 | 233.41 |
| Other Payables | 1,209.41 | 972.96 |
| Creditors for Capital Expenditure | 27.29 | 33.11 |
| Advance received from Debtors | 22.04 | 85.02 |
| Unclaimed Dividend * | 4.89 | 3.82 |
| Total | 1,591.90 | 1,328.32 |

* Not due for Deposit to Investor Education and Protection Fund

11 Short-Term Provisions

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|---|---------------------------------|---------------------------------|
| Provision for Employee benefit / expenses | 156.11 | 148.12 |
| Provision for Indirect Tax related matters | 27.98 | - |
| Provision for Income Tax (Net of Advance Tax) | (23.58) | 70.75 |
| Proposed dividend | 199.81 | 199.81 |
| Tax on Proposed Dividend | 51.28 | 63.73 |
| Total | 411.60 | 482.41 |

12 FIXED ASSETS

(₹ in lakhs)

| Description | GROSS BLOCK (AT COST) | | | | DEPRECIATION | | | | | NET BLOCK | |
|-----------------------------------|-----------------------|-----------|------------|---------------------|--------------------|-----------|---|------------|---------------------|---------------------|---------------------|
| | As at 1.04.2014 | Additions | Deductions | As at 31.03.2015 | As at 1.04.2014 | Additions | Transitional Depreciation Provision * | Deductions | As at 31.03.2015 | As at 31.03.2015 | As at 31.03.2014 |
| Tangible Assets | | | | | | | | | | | |
| Leasehold Land | 135.77 | - | - | 135.77 | 0.16 | 0.14 | - | - | 0.30 | 135.47 | 135.60 |
| Freehold Land | 83.84 | - | - | 83.84 | - | - | - | - | - | 83.84 | 83.84 |
| Buildings | 2,756.77 | 32.57 | - | 2,789.34 | 373.90 | 74.36 | 0.00 | 0.00 | 448.26 | 2,341.08 | 2,382.88 |
| Equipment & Machinery | 2,099.13 | 223.56 | 7.51 | 2,315.18 | 596.96 | 209.66 | 45.48 | 1.65 | 850.45 | 1,464.73 | 1,502.14 |
| Computers Hardware | 294.09 | 20.97 | 12.17 | 302.89 | 180.93 | 58.53 | 9.11 | 11.19 | 237.28 | 65.61 | 113.16 |
| Furniture & Fixtures | 236.39 | 2.64 | 0.06 | 238.97 | 84.64 | 25.23 | 1.87 | 0.06 | 111.68 | 127.29 | 151.75 |
| Motor Cars | 104.25 | 0.00 | 10.01 | 94.24 | 55.09 | 11.72 | 0.00 | 7.50 | 59.31 | 34.93 | 49.16 |
| Electric Fittings & Installations | 247.83 | 3.41 | 0.00 | 251.24 | 55.50 | 26.36 | 4.37 | 0.00 | 86.23 | 165.01 | 192.33 |
| Sub-total | 5,958.06 | 283.15 | 29.75 | 6,211.46 | 1,347.17 | 406.00 | 60.83 | 20.40 | 1,793.51 | 4,417.95 | 4,610.86 |
| Intangible Assets | | | | | | | | | | | |
| Goodwill | 577.78 | - | - | 577.78 | - | - | - | - | - | 577.78 | 577.78 |
| Technical Know How | 70.37 | - | - | 70.37 | 7.04 | 7.04 | - | - | 14.07 | 56.30 | 63.33 |
| Computer Software | 278.05 | 4.35 | 0.17 | 282.23 | 168.59 | 19.28 | 0.09 | 0.73 | 187.23 | 95.00 | 109.45 |
| Sub-total | 926.20 | 4.35 | 0.17 | 930.38 | 175.63 | 26.32 | 0.09 | 0.73 | 201.31 | 729.07 | 750.56 |
| Total | 6,884.27 | 287.50 | 29.92 | 7,141.85 | 1,522.80 | 432.32 | 60.92 | 21.13 | 1,994.82 | 5,147.03 | 5,361.52 |
| Previous Year | 6,006.70 | 943.59 | 66.02 | 6,884.26 | 1,287.57 | 281.39 | - | 46.23 | 1,522.83 | 5,361.43 | 4,725.00 |
| Capitall Work in Progress | | | | | | | | | | 339.00 | 311.60 |

- a. *As per the requirement of Schedule II of the companies Act 2013, effective from 1st April 2014 the company has charged Depreciation during the year based on the provisions of the said schedule. Consequently depreciation for the year ended 31st March, 2015 is higher by ₹ 120.82 lakhs. Further an amount of ₹ 41.33 lakhs (net of Deferred tax asset ₹ 19.59 Lakhs) has been adjusted with the general reserve in respect of those assets whose remaining useful life was Nil as on 1st April 2014, as per the transitional provision of Schedule II.
- b. Certain assets were revalued in 1994, against which a revaluation reserve was created. In view of the applicability of Schedule II of the Companies Act 2013, the useful life of these assets have expired. The revaluation reserve has therefore been transferred to the Profit & Loss account as the same is no longer required now.

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

13 Non-Current Investments

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|--|---------------------------------|---------------------------------|
| <u>Long Term Investment in Shares</u> | | |
| <u>Unquoted</u> | | |
| <u>Investment in Associates</u> | | |
| 2,35,000 (2,35,000) Equity Shares of Chembond Distribution Ltd. of ₹ 1/- each fully paid up. (Constituting 47 % of the said Company's paid up capital) | - | - |
| 4,90,000 (4,90,000) Equity Shares of Chembond Enzyme Company Ltd. of ₹ 1/- each fully paid up. (Constituting 49 % of the said Company's paid up capital) | 76.37 | 55.67 |
| <u>Investment in Government Securities</u> | | |
| Investment in National Saving Certificate | 0.70 | 0.70 |
| <u>Other Investments</u> | | |
| 23 (23) Equity Shares of Tarapur Environment Protection Organisation Ltd. | 0.13 | 0.13 |
| Total | 77.20 | 56.50 |

14 Long Term Loans and Advances

(Unsecured & considered good & subject to confirmation)

| | | |
|---------------------------------------|---------------|---------------|
| Income Tax (Net of Provision) | 171.08 | 128.53 |
| Fringe Benefit Tax (Net of Provision) | - | 0.11 |
| Vat Credit Receivable | 317.06 | 116.50 |
| Other Deposits | 116.34 | 117.52 |
| Total | 604.48 | 362.66 |

15 Current InvestmentsInvestments in Mutual Funds - Quoted

| | | |
|--|-------------|-------------|
| 40.96 (38.54) Units of Reliance Mutual Fund (Liquid Fund Treasury Plan- Daily Dividend Reinvestment Plan) (Additional units have been received on account of dividend) | 0.63 | 0.59 |
| Total | 0.63 | 0.59 |

16 Inventories

Stock-in-trade: (as per inventory taken, valued and certified by the Management)

| | | |
|----------------------------|-----------------|-----------------|
| Raw Material (at cost) | 1,722.22 | 1,951.56 |
| Packing Material (at cost) | 133.80 | 124.06 |
| Work-in-Progress (At cost) | 5.65 | 8.06 |
| Finished Goods (at cost) | 952.33 | 1,040.72 |
| Stock-in-Trade (at cost) | 253.44 | 337.99 |
| Stock in Transit | 2.57 | 31.05 |
| | 3,070.01 | 3,493.44 |
| Less :Stock Reserve | 19.98 | 16.69 |
| Total | 3,050.03 | 3,476.75 |

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

17 Trade Receivables

(unsecured)

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|---|---------------------------------|---------------------------------|
| <u>Outstanding for more than 6 Months</u> | | |
| Considered Doubtful | 108.41 | 137.24 |
| Considered Good | 1,474.43 | 1,233.49 |
| | 1,582.84 | 1,370.73 |
| <u>Other Debts</u> | | |
| Considered Doubtful | 11.50 | - |
| Considered Good | 7,130.36 | 7,447.15 |
| | 8,724.70 | 8,817.88 |
| Less : Provision for Doubtful Debts | 119.91 | 137.24 |
| Total | 8,604.79 | 8,680.64 |

a. For Related party transaction refer Note No. 32

b. Debtors include debts due from Associate - Chembond Distribution Limited ₹ 484.91 lakhs (₹ 266.48 lakhs). The net worth of this associates has been eroded. The parent Company has not made provision since its investment is long term and in the opinion of the management the losses are temporary in nature.

18 Cash and Bank Balances

| | | |
|-----------------------------------|-----------------|----------|
| Cash on hand | 6.44 | 5.17 |
| Bank balance with Scheduled Banks | | |
| In Current Accounts | 690.65 | 513.12 |
| Other Bank balances* | 910.84 | 744.67 |
| Total | 1,607.93 | 1,262.96 |

* Other Bank Balance include deposits of ₹ 411.94 lakhs (previous year ₹173.59 lakhs) with maturity of more than 12 months.

19 Short Term Loans and Advances

(Unsecured & considered good & subject to confirmation)

| | | |
|------------------------|---------------|----------|
| Other Loans & Advances | 180.19 | 287.37 |
| Deposit - Excise | 580.21 | 622.33 |
| Other Deposits | 40.60 | 29.41 |
| Prepaid expenses | 54.13 | 65.20 |
| Total | 855.12 | 1,004.31 |

20 Revenue from Operations

| | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) |
|---------------------------------------|---------------------------|---------------------------|
| Sales | 33,642.38 | 30,765.67 |
| Less: Excise Duty | 4,210.13 | 3,825.12 |
| Net Sales | 29,432.25 | 26,940.55 |
| Sales of Services | | |
| Technical Service Income | 485.20 | 425.84 |
| Other Operating revenue | | |
| Services Charges from Related Parties | 105.40 | 79.57 |
| Total | 30,022.85 | 27,445.96 |

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

21 Other Income

| | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) |
|----------------------------|----------------------------------|---------------------------|
| Dividend from Mutual Funds | 0.04 | 0.13 |
| Interest | 82.58 | 79.32 |
| Rental Income | 5.95 | 6.98 |
| Miscellaneous Income | 49.47 | 34.34 |
| Total | 138.04 | 120.77 |

22 Cost of Materials Consumed**a Particulars of Raw Materials Consumed**

| | | |
|-------------------------------|------------------|------------------|
| Acids | 1,934.69 | 1,960.05 |
| Oil, Solvent & Alkalies, etc. | 1,529.08 | 1,523.23 |
| Others | 12,976.00 | 11,865.24 |
| | 16,439.77 | 15,348.52 |
| Packing Material | 1,548.57 | 1,429.62 |
| Total | 17,988.34 | 16,778.14 |

23 Changes in Inventory of Finished Goods, Work in Progress and Traded Goods

| | | |
|---|---------------|-----------------|
| Finished products/ Stock in Trade (At Close) | 1,228.78 | 1,380.31 |
| Finished products/ Stock in Trade (At Commencement) | 1,402.80 | 1,086.96 |
| Total | 174.02 | (293.35) |

24 Employee Benefit Expenses

| | | |
|---|-----------------|-----------------|
| Director Remuneration | 112.82 | 112.14 |
| Salaries & Wages | 3,381.00 | 3,153.42 |
| Employee ESOP compensation | 2.04 | 6.10 |
| Contribution to Provident & other funds | 256.32 | 185.57 |
| Staff Welfare Expenses | 133.79 | 117.46 |
| Total | 3,885.97 | 3,574.69 |

a. For Related party transaction Refer Note No. 32

b. The Company's obligation towards the Gratuity Fund is a Defined Benefit Plan. Details of Actuarial Valuation are as follows:

| | | |
|--|---------------|---------|
| Projected Benefit Obligation at the beginning of the year | 354.39 | 344.84 |
| Service Cost | 40.09 | 31.65 |
| Interest Cost | 31.91 | 28.37 |
| Actuarial Losses/(Gains) | 44.23 | (14.24) |
| Benefits paid | (31.80) | (36.23) |
| Projected Benefit Obligation at the end of the year | 438.82 | 354.39 |

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

| | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) |
|--|---------------------------|---------------------------|
| Change in Plan Assets | | |
| Fair Value of plan assets at the beginning of the year | 254.27 | 217.88 |
| Expected Returns on Plan assets | 23.15 | 18.75 |
| Employer's Contribution | 35.63 | 53.63 |
| Benefits paid | (30.09) | (36.23) |
| Actuarial Gain/(Loss) | 0.40 | 0.24 |
| Fair Value of plan assets at the end of the year | 283.36 | 254.27 |
| Cost of Defined Benefit Plan for the year | | |
| Current Service Cost | 40.09 | 31.65 |
| Interest on Obligation | 31.91 | 28.37 |
| Expected Return on Plan Assets | (23.15) | (18.75) |
| Net Actuarial Losses/(Gains) recognised in the year | 44.23 | (14.47) |
| Net Cost recognised in the Profit & Loss Account | 93.08 | 26.80 |
| Assumptions | | |
| Discount Rate | 7.75% | 8.75% |
| Future Salary Increase | 5% | 5% |
| Withdrawal Rates | 1% | 1% |

The Management has relied on the overall actuarial valuation conducted by the actuary. However experience adjustments on plan liabilities and assets are not readily available and hence not disclosed. The expected return on plan assets is as furnished by the Actuary appointed by the Company.

25 Finance Cost

| | | |
|-------------------------------|---------------|---------------|
| Interest Expense | 304.49 | 356.40 |
| Bank Guarantee fees & charges | 56.59 | 46.48 |
| Total | 361.08 | 402.88 |

26 Depreciation and Amortisation Expenses

| | | |
|--|---------------|---------------|
| Depreciation and Amortisation Expenses | 432.32 | 281.39 |
| Total | 432.32 | 281.39 |

27 Other Expenses**Manufacturing Expenses**

| | | |
|---|-----------------|---------------|
| Consumable stores | 31.37 | 31.19 |
| Octroi | 3.61 | 6.76 |
| Carriage Inward | 3.89 | 65.36 |
| Power, Fuel & Water Charges | 88.37 | 94.85 |
| Research and Development | 119.27 | 77.54 |
| Repairs and Renewals to Plant & Machinery | 20.57 | 12.04 |
| Godown Rent | 23.02 | 25.55 |
| Labour Charges | 266.90 | 278.42 |
| Security Expenses | 73.93 | 59.93 |
| Factory Maintenance | 44.27 | 54.83 |
| Technical Service Charges | 262.69 | 201.63 |
| Erection & Commissioning Charges | - | 8.64 |
| Excise Duty on Navy Sales | 10.02 | 1.91 |
| Profit Transferred to JV on PTC Business | 20.17 | 61.10 |
| Profit Transferred to Associate on Enzymes Business | 36.76 | 8.32 |
| A | 1,004.84 | 988.07 |

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

| | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) |
|--|---------------------------|---------------------------|
| Administrative Expenses | | |
| Director's Sitting Fees | 14.70 | 12.65 |
| Rates & Taxes | 132.10 | 59.66 |
| Electricity Charges | 34.54 | 39.39 |
| Printing and Stationary | 39.06 | 34.12 |
| Telephone & Postage Expenses | 164.57 | 95.91 |
| Insurance | 78.14 | 51.22 |
| Motor Car Expenses | 46.91 | 45.46 |
| Auditors Remuneration | 13.23 | 9.88 |
| Legal, Professional & Consultancy Fees | 262.64 | 230.42 |
| Repairs & Maintenance Buildings | 3.50 | 1.45 |
| Repairs & Maintenance Others | 138.35 | 180.67 |
| Miscellaneous Expenses | 70.36 | 100.91 |
| Donation | 18.44 | 21.97 |
| Sales Tax & Other Taxes | 107.26 | 62.04 |
| Loss on Sale of Fixed Asset | 0.10 | 18.79 |
| Provision for Doubtful Debts | (17.33) | 37.51 |
| Business Support Service/RMC | 120.05 | 121.34 |
| Input Service Tax Disallowed | 5.64 | 13.16 |
| Foreign Exchange Fluctuation Loss | (21.10) | 36.23 |
| Rent | 3.30 | 17.80 |
| Liquidity Damages | 0.51 | - |
| Bad Debts Written Off | 165.66 | 102.30 |
| B | 1,380.63 | 1,292.88 |
| Selling and Distribution Expenses | | |
| Carriage Outwards | 765.85 | 598.41 |
| Rent | 27.14 | 10.13 |
| Commission on Sales | 605.21 | 513.90 |
| Travelling Expenses | 551.28 | 524.88 |
| Conveyance Expenses | 70.95 | 68.97 |
| Royalty Expenses | 316.66 | 310.00 |
| Advertising & Publicity Expenses | 30.57 | 37.91 |
| Packing Expenses | 6.45 | 4.75 |
| Sales Promotion Expenses | 168.68 | 229.00 |
| C | 2,542.79 | 2,297.95 |
| Total (A+B+C) | 4,928.26 | 4,578.90 |
| a Auditor's Remuneration consists of: | | |
| Statutory Audit Fees | 8.25 | 5.49 |
| Tax Audit Fees | 1.72 | 2.08 |
| Taxation and Other Matters | 3.26 | 2.31 |
| Total | 13.23 | 9.88 |

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

28 Earnings Per Share

| | 2014-2015 | 2013-2014 |
|---|------------------|-----------|
| Net Profit as per Statement of Profit and Loss available to Equity Shareholders (₹ In Lakhs) | 1,237.86 | 775.95 |
| Total number of Equity Shares (Face value of ₹ 10/- each fully paid up) | 6,660,412 | 6,660,412 |
| Weighted No. of Equity Shares | 6,660,412 | 6,660,412 |
| Basic Earnings per Share (in ₹) | 18.59 | 11.65 |
| Diluted No. of Equity Shares | 6,833,361 | 6,859,141 |
| Diluted Earnings per Share (in ₹) | 18.11 | 11.31 |

29 Segment Reporting

In Compliance with Accounting Standard -17 "Segment Reporting" the company has identified Business Segments as the Primary Segment and Geographical Segment as Secondary Segments.

a Primary Segment Information (Business Segments)

(₹ in lakhs)

| | Particulars | Speciality Chemicals | | Water Treatment Plant | | Total | |
|---|--|----------------------|-----------|-----------------------|----------|------------------|-----------|
| | | 2014-15 | 2013-14 | 2014-15 | 2013-14 | 2014-15 | 2013-14 |
| 1 | Segment Revenue | | | | | | |
| | Sales | 33,246.17 | 30,578.95 | 396.21 | 186.71 | 33,642.38 | 30,765.67 |
| | Less: Excise duty | 4,173.23 | 3,804.26 | 36.91 | 20.86 | 4,210.13 | 3,825.12 |
| | Net Sales | 29,072.94 | 26,774.69 | 359.30 | 165.86 | 29,432.25 | 26,940.55 |
| | Sale of Services | 387.97 | 328.77 | 97.23 | 97.07 | 485.20 | 425.84 |
| | Other Operating Revenue | 105.40 | 79.57 | - | - | 105.40 | 79.57 |
| | Revenue from Operation | 29,566.31 | 27,183.03 | 456.53 | 262.92 | 30,022.85 | 27,445.95 |
| | Other Income | 122.97 | 111.74 | 15.08 | 9.03 | 138.04 | 120.77 |
| | Total Revenue | 29,689.28 | 27,294.77 | 471.61 | 271.96 | 30,160.89 | 27,566.73 |
| 2 | Segment Result before Interest and Taxes | 2,338.25 | 2,146.07 | 30.73 | (224.20) | 2,368.98 | 1,921.87 |
| | Less: Interest Expenses | 341.79 | 376.40 | 19.29 | 26.49 | 361.08 | 402.88 |
| | Profit Before Tax | 1,996.46 | 1,769.68 | 11.44 | (250.69) | 2,007.90 | 1,518.98 |
| | Current Tax | 612.14 | 626.08 | - | - | 612.14 | 626.08 |
| | Deferred Tax | (42.63) | (18.05) | (1.88) | (1.47) | (44.52) | (19.51) |
| | Profit after Tax (before adjustment for Minority Int) | 1,426.95 | 1,161.65 | 13.32 | (249.23) | 1,440.28 | 912.42 |
| | Share of (Profit)/Loss transferred to Minority | (201.47) | (273.91) | (3.97) | 126.80 | (205.44) | (147.10) |
| | Profit After Tax | 1,228.51 | 898.37 | 9.35 | (122.42) | 1,237.86 | 775.95 |
| 3 | Other Information | | | | | | |
| | Segment Assets | 19,990.46 | 20,043.42 | 295.75 | 474.01 | 20,286.21 | 20,517.43 |
| | Segment Liabilities | 9,129.41 | 10,362.00 | 353.62 | 267.53 | 9,483.03 | 10,629.53 |
| | Capital Expenditure | 310.32 | 714.97 | 0.23 | 1.67 | 310.55 | 716.64 |
| | Depreciation and Amortisation | 420.33 | 267.68 | 11.99 | 13.71 | 432.32 | 281.39 |
| | Non Cash Expenses other than depreciation and Amortisation | - | - | - | - | - | - |

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

b Secondary Segment Information (Geographical Segments)

| | 2014-2015 (₹ in lakhs) | 2013-2014 (₹ in lakhs) |
|------------------------------|---------------------------|---------------------------|
| 1 Segment Revenue | | |
| Within India | 29,698.13 | 27,089.00 |
| Outside India | 462.76 | 477.73 |
| Total | 30,160.89 | 27,566.73 |
| 2 Segment Assets | | |
| Within India | 20,286.21 | 20,517.43 |
| Outside India | - | - |
| Total | 20,286.21 | 20,517.43 |
| 3 Capital Expenditure | | |
| Within India | 310.55 | 716.64 |
| Outside India | - | - |
| Total | 310.55 | 716.64 |

30 Information on Joint Ventures

Henkel Chembond Surface Technologies Ltd.

(On the basis of un-audited Financial Statements)

- a. Jointly Controlled Entity - Henkel Chembond Surface Technologies Ltd.
Country of Incorporation - India
Percentage of ownership interest - 49%
- b. Interest in the assets, liabilities, income and expenses with respect to jointly controlled enterprises

| | As at 31/3/2015 (₹ in lakhs) Audited | As at 31/3/2014 (₹ in lakhs) Audited |
|--------------------------------|--|--|
| A. Assets: | | |
| Fixed Assets | | |
| Tangible Assets | 492.14 | 541.80 |
| Intangible Assets | 20.85 | 26.81 |
| Capital Work-in-Progress | 142.73 | 161.27 |
| Non Current Investments | 0.25 | 0.25 |
| Long Term Loans & Advances | 57.87 | 22.92 |
| Current assets | | |
| Current Investment | - | - |
| Inventories | 609.92 | 628.15 |
| Trade Receivables | 2,204.00 | 2,287.99 |
| Cash and Bank Balances | 375.36 | 59.33 |
| Short Term Loans and Advances | 760.48 | 609.41 |
| B. Liabilities | | |
| Deferred tax liabilities (Net) | 24.71 | 24.75 |
| Long-term provisions | - | - |
| Current Liabilities | | |
| Borrowings | - | 397.62 |
| Trade payables | 665.34 | 625.83 |
| Other current liabilities | 369.40 | 287.25 |
| C. Income | 9,413.40 | 8,368.98 |
| D. Expenses | 8,566.17 | 7,724.52 |
| E. Tax | 292.12 | 203.88 |

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

31 Contingent Liabilities not provided for are in respect of :

| | As at 31/3/2015 (₹ in lakhs) | As at 31/3/2014 (₹ in lakhs) |
|---|---|---------------------------------|
| a. Excise matter under appeal | 218.69 | 218.69 |
| b. Sales Tax matter under appeal | 1,988.85 | 1,995.64 |
| c. Outstanding LC, Bank Guarantees, bill discounting by Bankers. | 881.95 | 855.40 |
| d. Income Tax Matter (Departmental Appeal) | 91.41 | 65.66 |
| e. Corporate Guarantees given by CCL on behalf of CSWTL & CCWTL to Bank of India. | 900.00 | 900.00 |
| f. Balance payment for Capital Commitment | 22.84 | 22.84 |
| g. Claims against the company not acknowledged as debt. | 9.60 | 9.60 |

32 Related Party Disclosures

Related party disclosures as required under Accounting Standard on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given below:

a. Relationship:

i. **Joint Venture:**

Henkel Chembond Surface Technologies Ltd., Solenis Netherland B.V, Ashland International Holdings Inc., Henkel KGaA.

ii. **Associates:**

Chembond Distribution Ltd., Chembond Enzyme Company Ltd. & Chembond Bioengineering Company Ltd. (Subsidiary of Associate)

iii. **Key Management Personnel and their relatives (others)**

Key Management Personnel:

Sameer V. Shah, Nirmal V. Shah, Ashwin R. Nagarwadia, Perviz H. Dastur, Bhadrash D. Shah, O.P. Malhotra, Mahendra K. Ghelani, Sushil U. Lakhani, Jawahar L. Mehta

Relatives

Dr. Vinod D. Shah, Padma V. Shah, Gulu P. Dastur, Dr. Shilpa S. Shah, Mamta N. Shah, Alpana S. Shah, Jyoti N. Mehta, Zarna K. Shah, Amrita S. Shah, Malika S. Shah, Gauri N. Mehta, Karishma N. Mehta

Entities over which Key Management personnel are able to exercise influence

CCL Opto Electronics Pvt Ltd., Finor Piplaj Chemicals Ltd., S and N Ventures Ltd., Visan Holdings & Financial Services Pvt. Ltd., Shree Mahalasa Electronics Pvt. Ltd., Ashland Casting Solutions Inc., Visan Trust, Protochem Investment Pvt. Ltd., GTK Intermediates Pvt. Ltd.

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

b. The following transactions were carried out with related parties in the ordinary course of business

Consolidated Transaction with Related parties

| Description of the nature of transactions | 2014-15 | | | | 2013-14 | | | |
|---|---------------|---------------|-----------------|-----------------|---------------|--------------|-----------------|-----------------|
| | Joint Venture | Associates | KMP | Total | Joint Venture | Associates | KMP | Total |
| Sales of Goods | | 150.51 | 100.45 | 250.96 | | 93.82 | 108.46 | 202.28 |
| Chembond Chemicals Ltd. | | 150.51 | 3.44 | 153.95 | | 93.82 | 10.90 | 104.72 |
| Henkel Chembond Surface Technologies Ltd. | | | 67.97 | 67.97 | | | 12.63 | 12.63 |
| Chembond Solenis Water Technologies Ltd. | | | 29.00 | 29.00 | | | 38.74 | 38.74 |
| Protochem Industries Pvt. Ltd. | | | 0.04 | 0.04 | | | 15.19 | 15.19 |
| Chembond Clean Water Technologies Ltd. | | | | | | | 31.00 | 31.00 |
| Purchase of Goods | 28.32 | 139.98 | 1,955.64 | 2,123.94 | 34.32 | 28.00 | 1,435.77 | 1,498.09 |
| Chembond Chemicals Ltd. | | 139.98 | 1,296.43 | 1,436.41 | | 28.00 | 894.59 | 922.59 |
| Henkel Chembond Surface Technologies Ltd. | 28.32 | | 397.14 | 425.45 | 34.32 | | 494.64 | 528.96 |
| Chembond Solenis Water Technologies Ltd. | | | 248.76 | 248.76 | | | 46.54 | 46.54 |
| Protochem Industries Pvt. Ltd. | | | 13.32 | 13.32 | | | | |
| Rent Income | | 0.48 | 0.72 | 1.20 | | 0.48 | 0.72 | 1.20 |
| Chembond Chemicals Ltd. | | 0.48 | 0.72 | 1.20 | | 0.48 | 0.72 | 1.20 |
| Service Charges Expenses | 120.05 | | | 120.05 | 121.34 | | | 121.34 |
| Henkel Chembond Surface Technologies Ltd. | 120.05 | | | 120.05 | 121.34 | | | 121.34 |
| I T Service Charges Expenses | 54.80 | | 9.49 | 64.29 | 29.08 | | 11.15 | 40.23 |
| Henkel Chembond Surface Technologies Ltd. | 54.80 | | 9.49 | 64.29 | 29.08 | | 11.15 | 40.23 |
| Other Expenses | 2.99 | | | 2.99 | 3.63 | | 1.20 | 4.83 |
| Henkel Chembond Surface Technologies Ltd. | 2.99 | | | 2.99 | 3.63 | | 1.20 | 4.83 |
| Other Income | | | 1.79 | 1.79 | | | | |
| Henkel Chembond Surface Technologies Ltd. | | | 1.79 | 1.79 | | | | |
| Interest Expenses | | 8.81 | 80.54 | 89.35 | | 8.60 | 86.85 | 95.45 |
| Chembond Chemicals Ltd. | | 8.81 | 79.93 | 88.74 | | 8.60 | 85.28 | 93.88 |
| Chembond Solenis Water Technologies Ltd. | | | 0.61 | 0.61 | | | 1.22 | 1.22 |
| Chembond Clean Water Technologies Ltd. | | | | | | | 0.35 | 0.35 |
| Rental Expenses | | | 15.26 | 15.26 | | | 8.63 | 8.63 |
| Chembond Chemicals Ltd. | | | 6.00 | 6.00 | | | 1.00 | 1.00 |
| Chembond Solenis Water Technologies Ltd. | | | 2.70 | 2.70 | | | 0.50 | 0.50 |
| Henkel Chembond Surface Technologies Ltd. | | | 6.56 | 6.56 | | | 7.13 | 7.13 |
| Director Remuneration | | | 132.84 | 132.84 | | | 110.70 | 110.70 |
| Chembond Chemicals Ltd. | | | 72.00 | 72.00 | | | 66.66 | 66.66 |
| Chembond Solenis Water Technologies Ltd. | | | 40.82 | 40.82 | | | 25.68 | 25.68 |
| Henkel Chembond Surface Technologies Ltd. | | | 20.02 | 20.02 | | | 18.36 | 18.36 |
| Director Sitting Fees | | | 14.00 | 14.00 | | | 14.00 | 14.00 |
| Chembond Chemicals Ltd. | | | 13.00 | 13.00 | | | 12.60 | 12.60 |
| Chembond Solenis Water Technologies Ltd. | | | | | | | 0.40 | 0.40 |
| Protochem Industries Pvt. Ltd. | | | 1.00 | 1.00 | | | 1.00 | 1.00 |
| Commission to Director | | | 2.00 | 2.00 | | | 5.69 | 5.69 |
| Chembond Chemicals Ltd. | | | 2.00 | 2.00 | | | 4.00 | 4.00 |
| Chembond Solenis Water Technologies Ltd. | | | | | | | 1.69 | 1.69 |
| Retirement Benefits | | | 30.00 | 30.00 | | | 30.00 | 30.00 |
| Chembond Chemicals Ltd. | | | 30.00 | 30.00 | | | 30.00 | 30.00 |
| Salaries | | | 19.73 | 19.73 | | | 18.55 | 18.55 |
| Chembond Chemicals Ltd. | | | 19.73 | 19.73 | | | 18.55 | 18.55 |
| Compensation Expenses | | 36.76 | | 36.76 | | 8.32 | 0.39 | 8.71 |
| Chembond Chemicals Ltd. | | 36.76 | | 36.76 | | 8.32 | | 8.32 |
| Protochem Industries Pvt. Ltd. | | | | | | | 0.39 | 0.39 |
| Royalty | 285.82 | | 30.85 | 316.67 | 270.98 | | 39.02 | 310.00 |
| Chembond Solenis Water Technologies Ltd. | 189.65 | | | 189.65 | 171.00 | | | 171.00 |
| Henkel Chembond Surface Technologies Ltd. | 96.17 | | | 96.17 | 99.98 | | | 99.98 |
| Chembond Chemicals Ltd. | | | 30.85 | 30.85 | | | 39.02 | 39.02 |
| Sale of Fixed Assets | | | 5.95 | 5.95 | | | | |
| Henkel Chembond Surface Technologies Ltd. | | | 5.95 | 5.95 | | | | |
| Purchase of Fixed Assets | | | | | | | 4.89 | 4.89 |
| Henkel Chembond Surface Technologies Ltd. | | | | | | | 2.45 | 2.45 |
| Chembond Chemicals Ltd. | | | | | | | 2.44 | 2.44 |

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

(₹ in lakhs)

| Description of the nature of transactions | 2014-15 | | | | 2013-14 | | | |
|---|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|
| | Joint Venture | Associates | KMP | Total | Joint Venture | Associates | KMP | Total |
| Donation | | | | 0.50 | | | | 5.00 |
| Chembond Solenis Water Technologies Ltd. | | | | 0.50 | | | | 5.00 |
| Balances at the year end | | | | | | | | |
| Loan Taken | | 72.46 | 272.35 | 344.81 | 70.50 | 812.25 | 882.75 | |
| Chembond Chemicals Ltd. | | 72.46 | 272.35 | 344.81 | 70.50 | 812.25 | 882.75 | |
| Sundry Debtors | 102.56 | 484.91 | 46.38 | 633.85 | 221.09 | 266.48 | 17.12 | 504.68 |
| Chembond Clean Water Technologies Ltd. | | | | | | | 0.07 | 0.07 |
| Chembond Chemicals Ltd. | 102.56 | 484.91 | | 587.47 | 221.088 | 266.48 | | 487.57 |
| Chembond Solenis Water Technologies Ltd. | | | 7.79 | 7.79 | | | 14.25 | 14.25 |
| Henkel Chembond Surface Technologies Ltd. | | | 38.28 | 38.28 | | | | |
| Protochem Industries Pvt. Ltd. | | | 0.31 | 0.31 | | | 2.79 | 2.79 |
| Sundry Creditors | 380.17 | 66.47 | 631.62 | 1078.26 | 174.74 | 26.89 | 334.16 | 535.79 |
| Chembond Chemicals Ltd. | | 66.47 | 364.68 | 431.15 | | 26.89 | 196.13 | 223.02 |
| Chembond Solenis Water Technologies Ltd. | 239.22 | | 104.76 | 343.98 | 99.53 | | | 99.53 |
| Chembond Clean Water Technologies Ltd. | | | | | 22.50 | | | 22.50 |
| Henkel Chembond Surface Technologies Ltd. | 140.95 | | 146.23 | 287.18 | 52.71 | | 138.01 | 190.72 |
| Protochem Industries Pvt. Ltd. | | | 15.95 | 15.95 | | | 0.02 | 0.02 |

33 Employee Stock Option Plan

The Board at its meeting held on July 30, 2011, approved an issue of Stock Options up to a maximum of 5% of the issued Equity Share Capital of the Company aggregating to 3,18,000 Equity Shares in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 subject to the approval of the shareholders under Section 81(1A) of the Companies Act, 1956. The Shareholders of the Company at the Annual General Meeting held on September 10, 2011 approved the aforesaid issue of 3,18,000 Equity Shares of the Company under one or more Employee Stock Option Scheme(s). The Compensation & Nomination Committee has approved the following grants to a list of senior level executives of the Company and some of its Subsidiaries in accordance with the Chembond Chemicals Employees' Stock Option Plan, 2012

| Date of Grant | Exercise Price | Options Granted | Vesting Commences On | Options | | | | | Basis of Vesting |
|---------------|----------------|-----------------|----------------------|-----------------|---------------|---------------|---------------|-----------------|-------------------|
| | | | | To be vested | Lapsed | Exercised | Vested | Yet to Vest | |
| 8-Sep-2012 | 153 | 2,32,781 | 8-Sep-2013 | 40,525 | 7,350 | 15,950 | 17,225 | 0 | Time Based |
| | | | 1-Oct-2014 | 50,187 | 13,318 | NA | 36,869 | 0 | Performance Based |
| | | | 1-Oct-2015 | 59,850 | 16,090 | NA | 0 | 43,760 | Performance Based |
| | | | 1-Oct-2016 | 82,219 | 23,074 | NA | 0 | 59,145 | Performance Based |
| | | 2,32,781 | | 2,32,781 | 59,832 | 15,950 | 54,094 | 1,02,905 | |

Out of the above option granted 59,832 options have been lapsed due to resignation of the Employees .

Out of 15,950 options exercised the Company has upto March 31, 2015 received amount aggregating ₹ 24.10 lakhs in respect of 15,750 shares and this amount is shown as ESOP share Application Money received.

The fair value of options used to compute Proforma net profit and earnings per Equity Share have been estimated on the date of the grant using Black-Scholes model by an independent Consultant.

The key assumptions used in Black-Scholes model for calculating fair value as on the date of the grant are:

| | |
|---|------------|
| Date of Grant | 8-Sep-12 |
| Risk Free Interest Rate | 8.25% |
| Expected Life | 3.34 years |
| Expected Volatility | 42% |
| Dividend Yield | 1.38% |
| Price of the underlying Share in the Market at the time of the Option Grant | 170 |
| Fair Value of the Option | 68 |

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

34 Financial information pursuant to Schedule III of Companies Act 2013

| Sr. No. | Name of the entity in the | Net Assets (Total assets minus total liabilities) | | Share in profit or loss | |
|---------|--|---|---------------------|-------------------------------------|---------------------|
| | | As % of consolidated net assets | Amount (₹ in Lakhs) | As % of consolidated profit or loss | Amount (₹ in Lakhs) |
| | Parent | | | | |
| | Chembond Chemicals Ltd. | 54.67 | 5,220.07 | 45.10 | 558.33 |
| | Indian Subsidiaries | | | | |
| 1 | Chembond Solenis Water Technologies Ltd. | 28.28 | 2,699.97 | 44.71 | 553.39 |
| 2 | Protochem Industries Pvt. Ltd. | 6.65 | 635.29 | 0.55 | 6.76 |
| 3 | Chembond Clean Water Technologies Ltd. | (0.61) | (57.87) | 1.08 | 13.33 |
| 4 | Chembond Inver Coatings Ltd. | (0.02) | (2.13) | 2.24 | 27.78 |
| | Minority Interest in all Subsidiaries | (13.14) | (1,254.44) | (16.60) | (205.44) |
| | Associates (Investment as per the equity method) | | | | |
| 1 | Chembond Distribution Ltd. | 0.00 | 0.00 | 0.00 | 0.00 |
| 2 | Chembond Enzyme Company Ltd. | 0.29 | 27.37 | 1.35 | 16.70 |
| 3 | Chembond Bioengineering Company Ltd. (100% subsidiary of an Associate Chembond Enzyme Company Ltd.) | 0.00 | 0.00 | 0.32 | 4.00 |
| | Joint Ventures (as per proportionate consolidation method) | | | | |
| | Indian | | | | |
| 1 | Henkel Chembond Surface Technologies Ltd. | 37.26 | 3,557.60 | 44.84 | 555.12 |
| | Consolidation adjustments/Eliminations | (13.37) | (1,277.12) | (23.60) | (292.11) |
| | Total | 100.00 | 9,548.74 | 100.00 | 1,237.86 |

35 Derivative Instruments

- a. The Company has entered into forward contracts to hedge the foreign currency risks arising from amounts designated in foreign currency. The counter party to such forward contract is a bank. Forward contracts outstanding at the year end are:

| Currency | Exposure to buy/sell | As at 31/3/2015 (₹ in lakhs) | | As at 31/3/2014 (₹ in lakhs) | |
|----------|----------------------|---------------------------------|-----------------|---------------------------------|-----------------|
| | | Foreign Currency | Indian Currency | Foreign Currency | Indian Currency |
| USD | Buy | 0.71 | 43.91 | 3.11 | 192.88 |

- b. Foreign Currency Exposures at the year end not hedged by derivative instruments:

| | | | | | |
|--------------------|------|-------|--------|------|--------|
| US Dollars | Buy | 13.42 | 851.00 | 9.62 | 578.12 |
| US Dollars | Sell | 2.64 | 168.09 | 2.17 | 130.42 |
| Euro | Buy | 4.56 | 336.43 | 3.23 | 265.92 |
| Euro | Sell | - | - | 0.38 | 30.58 |
| HongKong Dollars | Buy | 0.11 | 0.77 | 0.04 | 0.35 |
| Australian Dollars | Buy | - | - | 0.02 | 1.26 |
| British Pounds | Buy | - | - | 0.06 | 5.95 |

Consolidated Notes on Financial Statements for the year ended 31st March, 2015

36 Previous years figures have been regrouped, reallocated, or reclassified wherever necessary, to conform to this year's classification.

37 Closing Stock has been taken, valued and certified by the Management.

As per our attached report of even date

On behalf of the Board of Directors

For **M/s Kastury & Talati**
Chartered Accountants

Sameer V. Shah
Chairman & Managing Director

Nirmal V. Shah
Vice Chairman & Managing Director

Dhiren P. Talati
Partner
Membership No. F/41867
Mumbai, 21st May 2015

Perviz H. Dastur
Director

Mumbai, 21st May 2015

Rashmi S. Gavli
Chief Financial Officer

Varadvinayak Khambete
Company Secretary

Notice

NOTICE is hereby given that the Fortieth Annual General Meeting of the members of Chembond Chemicals Limited (CIN:L24100MH1975PLC018235) will be held at EL-37, MIDC Mahape, Navi Mumbai 400 710, on Saturday, 8th August, 2015 at 3.00 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements (standalone and consolidated) of the Company for the year ended 31st March, 2015 and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Perviz H. Dastur (DIN:00961016) who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ashwin R. Nagarwadia (DIN:00466681) who retires by rotation and, being eligible, offers himself for re-appointment.
5. **To appoint Statutory Auditors**

To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed thereunder, as amended from time to time (the "Act"), M/s. Kasturi & Talati, Chartered Accountants (Firm Registration No.104908W), who have offered themselves for re-appointment and have confirmed their eligibility to be appointed as Statutory Auditors in terms of Section 141 of the Act and rules framed thereunder, be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, at such remuneration plus service tax and expenses as may be mutually agreed between the Board of Directors of the Company and the Statutory Auditors."

SPECIAL BUSINESS

6. **To appoint Mrs. Saraswati Sankar as Independent Director**

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014, read with Schedule IV to the Companies Act, 2013 including any statutory modification(s) or re-enactment thereof for the time being in force (the "Act"), Clause 49 of the Listing Agreement and in pursuance of General Circular No.14/2014 dated

9th June, 2014, Mrs. Saraswati Sankar (DIN:07133249), a Non-executive Director of the Company, who was appointed as an Additional (Independent) Director on the Board w.e.f. 24th March, 2015 and who holds office up to the date of this Annual General Meeting, and who has submitted a declaration of independence under Section 149 (6) of the Act and is eligible for appointment and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act signifying his intention to propose Mrs. Saraswati Sankar as a candidate for the office of director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five years from 24th March, 2015 upto 24th March, 2020 and whose office shall not be liable to retire by rotation."

7. **To appoint Dr. Prakash D. Trivedi as Independent Director**

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Sections 149,152 and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014, read with Schedule IV to the Companies Act, 2013 including any statutory modification(s) or re-enactment thereof for the time being in force (the "Act"), Clause 49 of the Listing Agreement and in pursuance of General Circular No.14/2014 dated 9th June, 2014, Dr. Prakash D. Trivedi (DIN:00231288), a Non-executive Director of the Company, who was appointed as an Additional (Independent) Director on the Board w.e.f. 21st May, 2015 and who holds office up to the date of this Annual General Meeting, and who has submitted a declaration of independence under Section 149 (6) of the Act and is eligible for appointment and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act signifying his intention to propose Dr. Prakash D. Trivedi as a candidate for the office of director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five years from 21st May, 2015 upto 21st May, 2020 and whose office shall not be liable to retire by rotation."

8. **To ratify payment of remuneration to the Cost Auditors**

To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), as amended from time to time (the "Act"), the Company hereby ratifies the remuneration of ₹60,000 (Rupees Sixty Thousand only) plus service tax

and actual out-of-pocket expenses payable to Mr. R. S. Raghavan, Cost Accountant, Pune, (Firm Registration No. 100098) who has been appointed as Cost Auditor of the Company to conduct the audit of cost records maintained by the Company for the Financial Year 2015-16."

9. **To revise the remuneration of Mr. Sameer V. Shah (DIN:00105721), Managing Director**

To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof), read with Schedule V to the Companies Act, 2013 and in partial modification of the relevant resolution passed at the Annual General Meeting of the Company held on 10th August, 2013, consent of the members of the Company be and is hereby accorded to the revision in the remuneration of Mr. Sameer V. Shah, (DIN:00105721), Managing Director of the Company, w.e.f. 01st April, 2015 on the remuneration, terms and conditions as recommended by the Nomination and Remuneration Committee and as set out in the explanatory statement annexed to the notice, for the remaining period of his tenure i.e. upto 31st July 2016."

"RESOLVED FURTHER THAT except for the aforesaid revision in remuneration, all other terms and conditions of his appointment as the Managing Director of the Company, as approved by the resolution passed at the Annual General Meeting of the Company held on 10th August, 2013 shall remain unchanged."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized and empowered to alter or vary the scope and composition of remuneration of Mr. Sameer V. Shah, Managing Director, including the monetary value thereof, to the extent recommended by the Nomination and Remuneration Committee from time to time as may be considered appropriate, subject to the overall limits specified by this resolution and the Companies Act, 2013."

"RESOLVED FURTHER THAT any of the Directors or Company Secretary of the Company be and are hereby authorized to do all necessary acts, deeds and things, which may be usual, expedient or proper to give effect to the above resolution."

10. **To revise the remuneration of Mr. Nirmal V. Shah (DIN:00083853), Managing Director**

To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof), read with Schedule V to the Companies Act, 2013 and in partial modification of the relevant resolution passed at the Annual General Meeting of the Company held on 10th August, 2013, consent of the members of the Company be and is hereby accorded to the revision in the remuneration of Mr. Nirmal V. Shah, (DIN:00083853), Managing Director of the Company, w.e.f. 1st April, 2015 on the remuneration, terms and conditions as recommended by the Nomination and Remuneration Committee and as set out in the explanatory statement annexed to the notice, for the remaining period of his tenure i.e. upto 31st July 2016."

"RESOLVED FURTHER THAT except for the aforesaid revision in remuneration, all other terms and conditions of his appointment as the Managing Director of the Company, as approved by the resolution passed at the Annual General Meeting of the Company held on 10th August, 2013 shall remain unchanged."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized and empowered to alter or vary the scope and composition of remuneration of Mr. Nirmal V. Shah, Managing Director, including the monetary value thereof, to the extent recommended by the Nomination and Remuneration Committee from time to time as may be considered appropriate, subject to the overall limits specified by this resolution and the Companies Act, 2013."

"RESOLVED FURTHER THAT any of the Directors or Company Secretary of the Company be and are hereby authorized to do all necessary acts, deeds and things, which may be usual, expedient or proper to give effect to the above resolution."

By Order of the Board of Directors
of **Chembond Chemicals Limited**

Sameer V. Shah
Chairman & Managing Director

Mumbai, 21st May, 2015

REGISTERED OFFICE:
EL-71, Chembond Centre,
MIDC, Mahape,
Navi Mumbai- 400 710

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. A proxy form duly completed and stamped, must reach the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting. Proxies submitted on behalf of companies, societies, partnership firms, etc. must be supported by appropriate resolution/ authority, as applicable, issued on behalf of the nominating organization.
3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
4. Members are requested to bring their attendance slip along with their copy of the Annual Report to the Meeting.
5. The register of members and the share transfer books of the Company will remain closed from 25th July, 2015 to 8th August, 2015 (both days inclusive) in connection with the Annual General Meeting.
6. The Directors have recommended a dividend of ₹3.00 per Equity Share, which on approval by the members at the Annual General Meeting, will be paid to the members whose names appear in the Company's Register of Members in case of Physical Shares, as at the close of business hours on 1st August, 2015 and in respect of Shares held in Dematerialized form in the depository system, to the beneficial owners of shares as on 1st August, 2015 as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for the purpose.
7. Under Section 205A of the Companies Act, 1956 and introduction of Section 205C of the Companies (Amendment) Act, 1999 which came into force w.e.f. 31st October, 1998, the Company would be obliged to transfer any money lying in the Unpaid Dividend Account which remain unpaid or unclaimed for a period of 7 years from the date of such transfers, to the Investor Education and Protection Fund, and hence all unclaimed dividends for the financial year 2006-07 have been transferred to the Investor Education and Protection Fund. The details of remaining unpaid or unclaimed dividend for the subsequent years as of 31st March, 2015 are as under:

| Date of Declaration | Amount (₹) | Due Date |
|---------------------|------------|------------|
| 13/09/2008 | 43,841.00 | 12/10/2015 |
| 22/08/2009 | 31,808.00 | 21/10/2016 |
| 18/09/2010 | 43,146.25 | 17/10/2017 |
| 10/09/2011 | 50,544.55 | 09/10/2018 |
| 08/09/2012 | 65,645.70 | 07/10/2019 |
| 10/08/2013 | 105,478.50 | 09/09/2020 |
| 09/08/2014 | 148,125.00 | 08/09/2021 |

The Ministry of Corporate Affairs (MCA) on 10th May, 2012 notified the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 (IEPF Rules), which is applicable to the Company. The objective of the IEPF Rules is to help the shareholders ascertain status of the unclaimed amounts and overcome the problems due to misplacement of intimation thereof by post etc. In terms of the said IEPF Rules, the Company has uploaded the information in respect of the Unclaimed Dividends in respect of the financial years from 2007-08, as on the date of the 39th Annual General Meeting (AGM) held on 9th August, 2014, on the website of the IEPF viz. www.iepf.gov.in and under "Investors Section" on the Website of the Company viz. www.chembondindia.com.

Members who have not encashed their dividend warrants are advised to write to the Registrar & Transfer Agent (RTA) of the Company, M/s. TSR Darashaw Limited (TSRDL) for claiming unclaimed dividends.

8. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details, National Electronic Clearing Service (NECS), Electronic Clearing Service (ECS), mandates, nominations, power of attorney, change of address, change of name or e-mail address or contact numbers etc. to their Depository Participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's Registrars and Transfer Agents, TSR Darashaw Limited (TSRDL) to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to TSRDL.
9. Members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company or TSRDL for assistance in this regard.
10. Members holding shares in physical form in identical order of names in more than one folio are requested to send to the Company or TSRDL, the details of such folios together with the share certificates for consolidating their holding in one folio. A consolidated share certificate will be returned to such Members after making requisite changes thereon.

11. In case of joint holders attending the meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.
12. To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with TSRDL / Depositories.
14. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form may submit their PAN details to the Company.
15. Electronic copy of the Notice of the 40th Annual General Meeting of the Company indicating, inter alia, the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/ Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 40th Annual General Meeting of the Company indicating, inter alia, the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
16. Members may also note that the Notice of the 40th Annual General Meeting and the Annual Report for the financial year 2014-15 will also be available on the Company's website www.chembondindia.com for download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Navi Mumbai for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by permitted mode free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: investor.grievance@chembondindia.com.
17. **E-voting**
Pursuant to Section 108 of the Companies Act, 2013, read with the relevant Rules of the Act and Clause 35B of the Listing Agreement entered into with the Stock Exchanges, the Company is pleased to provide the facility to members to exercise their right to vote by electronic means. The e-voting period will commence at 9.00 a.m. on 5th August, 2015 and will end at 5.00 p.m. on 7th August, 2015. The Company has appointed Mr. Virendra Bhatt, Practising Company Secretary, to act as Scrutinizer, for conducting the scrutiny of the votes cast. The members desiring to vote through electronic mode

may refer to the detailed procedure on e-voting given hereinafter.

Members have an option to vote either through e-voting or through physical ballot form. If a member has opted for e-voting, then he/she should not vote by physical ballot also and vice-versa. However, in case members cast their vote both via physical ballot and e-voting then e-voting shall prevail and voting done through physical ballot shall be treated as invalid. The Company has signed an agreement with CDSL for facilitating e-voting.

The Scrutinizer shall, immediately after the conclusion of voting at the Annual General Meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and make not later than two days of conclusion of the meeting a consolidated Scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman and/or Managing Director or a person authorised by him in writing who shall countersign the same.

The Results declared along with the Scrutinizer's Report shall be placed on the Company's website and on the website of CDSL and communicated to the Stock exchanges where the shares of the Company are listed.

The instructions for members for voting electronically are as under:

The voting period begins at 9.00 a.m. on 5th August, 2015 and will end at 5.00 p.m. on 7th August, 2015. During this period members of the Company holding shares either in physical form or in dematerialised form, as on the cut-off date i.e. 1st August, 2015, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.

The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 1st August, 2015. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of (electronic voting (remote e-voting)), voting through ballot form as well as voting at the meeting. The members who have not cast vote through remote e-voting or through ballot form shall be entitled to vote at the meeting.

Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request at helpdesk.evoting@cdslindia.com.

In case of members receiving e-mail:

Log on to the e-voting website www.evotingindia.com during the voting period.

Click on "Shareholders" tab.

Now, select the "Chembond Chemicals Limited" from the drop down menu and click on "SUBMIT."

Now Enter your User ID

- a) For CDSL: 16 (sixteen) digits beneficiary ID,
 - b) For NSDL: 8 (eight) Character DP ID followed by 8 (eight) Digits Client ID,
 - c) Members holding share in Physical Form should enter Folio Number registered with the Company.
- ii. Next enter the Image Verification as displayed and click on Login.

If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

If you are a first time user follow the steps given below:

| For Members holding shares in Demat Form and Physical Form | |
|---|---|
| PAN | <p>Enter your 10 (ten) digit alpha-numeric PAN issued by Income Tax Department.</p> <p>Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first 2 (two) letters of their name and sequence no. in the PAN field.</p> <p>In case the sequence No. is less than 8 (eight) digits, enter the applicable number of 0's (Zeros) before the number after the first 2 (two) characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar and folio no. is 1 then enter RA00000001 in the PAN field.</p> |
| Date of Birth OR Date of Incorporation OR Bank Account Number | <p>Enter the Date of Birth as recorded in your demat account or in the Company's records for the said demat account in dd/mm/yyyy format or enter folio no.</p> <p>OR</p> <p>Enter the Bank Account Number as recorded in your demat account or in the Company's records for the said demat account or folio no.</p> <p>Please enter any one of the details in order to login. In case both the details are not recorded with the Depository or the Company, please enter the number of shares held by you as on cut-off date in the Bank Account Number field.</p> |

- iii. After entering these details appropriately, click on "SUBMIT" tab.

- iv. Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- v. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- vi. Click on the EVSN for "CHEMBOND CHEMICALS LIMITED" on which you choose to vote.
- vii. On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the resolution and option NO implies that you dissent to the resolution.
- viii. Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire resolution details.
- ix. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- x. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- xi. You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- xii. If demat account holder has forgotten the changed password then enter the User ID and the image verification code and click on "Forgot Password" and enter the details as prompted by the system.
- xiii. Note for Non-Individual members and custodians
Non-individual members (Institutional members) (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates.

A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.

After receiving the login details, a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.

The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.

A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

In case of members receiving the physical copy:

- A. Please follow all steps from sl. no. (i) to sl. no. (xvi) above to cast vote.

In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cdslindia.com.

18. **Poll at the meeting :** After the agenda item has been discussed, the Chairman may order a poll in respect of all of the business items. The poll will be conducted and supervised by Scrutinizers appointed for the purpose.
19. As per the provisions of the Listing Agreement, particulars of Directors who are proposed to be re-appointed are provided in the explanatory statement.
20. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change/deletion in such bank details. Further instructions, if any, already given by them in respect of shares held in physical form will not be automatically applied to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive a dividend to their Depository Participants.
21. Details of Directors seeking appointment / re-appointment in the Annual General Meeting scheduled on 8th August, 2015 (Pursuant to provisions of the Listing Agreement) are as under:

| Name | Mr. Perviz H. Dastur | Mr. Ashwin R. Nagarwadia | Mrs. Saraswati Sankar | Dr. Prakash D. Trivedi |
|--|---|---|---|----------------------------------|
| Birth Date | 31.01.1937 | 20.09.1937 | 26.04.1950 | 11.07.1946 |
| Date of Appointment / Re-Appointment | 10.09.2011 (Original date of appointment 04.09.1997) | 08.09.2012 (Original date of appointment 10.05.1994) | 24.03.2015 | 21.05.2015 |
| Expertise in Specific Functional area | Accounting | Engineering | Banking and Finance | Polymer Chemistry and Technology |
| Qualification | B.Com., MBA, ACA | B.E. Mechanical | CAIB, Post Graduation Economics, Diploma in Business Management | M.Sc., Ph.D. |
| Board Membership of other Public Limited companies as on 31 st March, 2015 | 2* | 5** | - | - |
| Chairman/Member of the Committee of the Board of Directors of the Company as on March 31, 2015 | As follows | As follows | As follows | As follows |
| (a) Audit Committee | 2 | 1 | - | - |
| (b) Stakeholders' Relationship Committee | - | 1 | - | - |
| (c) Other Committees | 2 | 6 | - | - |
| Number of Shares held in the Company as on March 31, 2015 | 1,57,060 | 5,40,632 | - | - |

* Other Directorships : Finor Piplaj Chemicals Ltd., Chembond Solenis Water Technologies Ltd.

** Other Directorships : Henkel Chembond Surface Technologies Ltd., Finor Piplaj Chemicals Ltd., Hitech Plast Ltd., Chembond Clean Water Technologies Ltd., Clear Mipak Packaging Solutions Ltd.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(2) OF THE COMPANIES ACT, 2013

Item Nos. 6 and 7

Mrs. Saraswati Sankar (DIN:07133249) & Dr. Prakash D. Trivedi (DIN:00231288) were appointed as Additional (Independent) Directors on the Board w.e.f. 24th March, 2015 & 21st May, 2015 respectively. The Board of Directors has received notices from shareholders proposing the candidature of Mrs. Saraswati Sankar and Dr. Prakash D. Trivedi as Independent Directors to be appointed under the provisions of Section 149 and 152 of the Companies Act, 2013.

Mrs. Saraswati Sankar has over 30 years of experience in banking and finance industry and Dr. Prakash D. Trivedi has over 41 years of experience in polymer industry.

The Company has received from both (i) consent in writing to act as Independent Director in Form DIR-2 (ii) intimation in Form DIR- 8 to the effect that he/she is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013, (iii) Disclosure in Form MBP-1 under 184(1) of the Companies Act, 2013 and (iv) a declaration to the effect that he/she meets the criteria of independence as provided in sub-section (6) of Section 149 of the companies Act, 2013.

In the opinion of the Board of Directors, Mrs. Saraswati Sankar and Dr. Prakash D. Trivedi, proposed to be appointed, as Independent Directors, fulfill the conditions specified in the Companies Act, 2013 and the Rules made thereunder and the Listing Agreement.

The Board seeks the approval of members for the appointment of Mrs. Saraswati Sankar as an Independent Director of the Company for a term of five (5) consecutive years from 24th March, 2015 till 24th March, 2020 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder.

The Board seeks the approval of members for the appointment of Dr. Prakash D. Trivedi as an Independent Director of the Company for a term of five (5) consecutive years from 21st May, 2015 till 21st May, 2020 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder.

Both Directors, being independent, are not liable to retire by rotation.

Brief Profiles along with other details of above-mentioned Directors are provided in the Report on Corporate Governance forming part of the Annual Report.

No Director or Key Managerial Personnel of the Company and/ or their relatives, except Mrs. Saraswati Sankar and Dr. Prakash Trivedi in their personal capacities, are interested or concerned in the Resolution.

The Board recommends Resolutions 6 & 7 for members' Approval.

ITEM NO. 8

Pursuant to Section 148 of the Companies Act, 2013 and rules framed thereunder, the Company is required to have the audit of its cost records conducted by a Cost Accountant in Practice. On the recommendation of the Audit Committee of Directors, the Board of Directors has approved the appointment of Mr. R. S. Raghavan, Cost Accountant, Pune, as the Cost Auditors of the Company to conduct audit of cost records maintained by the Company for the Financial Year 2015-16 at a remuneration of ₹60,000 (Rupees Sixty Thousand only) plus service tax and actual out-of-pocket expenses. Mr. R. S. Raghavan has furnished a certificate regarding his eligibility for such appointment. He has a vast experience in the field of cost audit and has also conducted the audit of the cost records of the Company for the previous year.

In terms of Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the aforesaid remuneration is subject to subsequent ratification by members of the Company. Hence, the Board recommends the Resolution at Item No. 8 of the accompanying Notice for ratification by the Members.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in the said Resolution, except to the extent of shares held by them in the Company.

Item No. 9

The shareholders will recall the appointment of Mr. Sameer V. Shah as Managing Director of the Company with effect from 1st August, 2013 for a period of 3 years i.e. upto 31st July, 2016 duly approved at the meeting of the shareholders held on 10th August, 2013.

The Company, during the year, has achieved remarkable growth in all divisions of the Company. As a Managing Director, Mr. Sameer V. Shah's leadership has led to remarkable performance of all business units due to which the Company is looking forward to an exciting growth phase. There has also been a considerable increase in the duties and responsibilities performed by the Managing Director and after considering the prevailing managerial remuneration in industry, the Board of Directors at their meeting held on 21st May, 2015, on the recommendations made by the Nomination and Remuneration Committee, has approved the proposal to increase the remuneration of Mr. Sameer V. Shah, Managing Director, with the following remuneration structure w.e.f. 1st April, 2015 for the remaining period of his tenure i.e., upto 31st July, 2016.:-

| | |
|--|--------------|
| Basic Salary p.a. | ₹30,84,410/- |
| Perquisites & incentives p.a. (excluding exempted) | ₹50,88,395/- |

| | |
|-------------|--|
| Other Terms | The Board of Directors, which includes Nomination and Remuneration Committee, are empowered from time to time to consider upward revision of the remuneration with such components as they may deem fit, during the tenure of the Managing Director, which in no case shall be more than maximum sum of ₹ 84,00,000/- p.a. (Rupees Eighty Four Lac Only). Incentive not exceeding such percentage or lumpsum as may be decided by the Board or as mentioned in the Agreement may be paid. Annual increment is subject to overall ceiling limit of ₹ 84,00,000/- p.a. (Rupees Eighty Four Lac Only) prescribed above. |
|-------------|--|

(A) In case of adequate profits:

Not exceeding 5% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013 and payable by way of salary/ allowances/ other perquisites / benefits and/or commission, as determined by the Board which includes Nomination and Remuneration Committee from time to time.

(B) Minimum Remuneration in case of lack or inadequacy of profits:

Where in any financial year during the currency of the tenure of the Managing Director, we have Nil Profits or the Profits are inadequate, Managing Director shall be paid remuneration as under:

1. Remuneration payable not exceeding the limit prescribed under Section II, Part II of Schedule V of the Companies Act, 2013, based on the effective capital of the Company and in accordance with the approval of the Nomination and Remuneration Committee at the relevant point of time.
2. Contributions to Provident Fund, Superannuation Fund or Annuity Fund to the extent singly or put together are not taxable under the Income Tax Act, 1961;
3. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
4. Encashment of Leave at the end of the tenure.

(C) General:

1. The perquisites shall be valued in terms of the actual expenditure. However, where such actual

expenditure cannot be ascertained, such perquisites shall be valued as per the Income Tax Rules.

2. Managing Director shall not be entitled to any sitting fees for attending the meetings of the Board or of the Committee(s) of which he is a Member.
3. Managing Director shall be subject to all other service conditions and employee benefit schemes, as applicable to any other employee of the Company.

As the terms for revision in remuneration proposed above are in conformity with the relevant provisions of the Companies Act, 2013, read with Schedule V to the said Act, the Central Government approval is not necessary for the above revision in remuneration.

A copy of the agreement containing the terms and conditions of reappointment of Mr. Sameer V. Shah is available for inspection without any fee by the Members at the Registered Office of the Company during normal business hours on any working day upto and including the date of the Annual General Meeting.

Except for the aforesaid revision in remuneration, all other terms and conditions of his appointment as the Managing Director of the Company as approved earlier shall remain unchanged and agreement between the Company and Mr. Sameer V. Shah stands altered automatically to give effect to this resolution.

INFORMATION AS PER SCHEDULE V OF THE COMPANIES ACT, 2013

I. GENERAL INFORMATION

1. Nature of Industry:

The Company is in the Speciality Chemical Industry and main objects of the Company are:

- A. To carry on all or any business of manufactures, dealers, or processors in the field pre-treatment of ferrous and non-ferrous metals for anti corrosive and paint adhesion purposes.
- B. To carry on all or any of the business of Chemical Engineers, Manufactures, dealers in chemicals and as investors, exploiters, of all types of processes in the field of chemicals and the pre-treatment or anticorrosive and paint and adhesion purposes of metals and metallic substances.

2. Date of Commencement of commercial production:

The Company commenced commercial production from 22nd March, 1975.

3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: NA

4. Financial performance (standalone):

| Particulars | 2014-15 (Audited) | 2013-14 (Audited) |
|---------------------|----------------------|----------------------|
| Net Revenue | 21,429.32 | 20,131.73 |
| Profit Before Tax | 573.72 | 410.80 |
| Less : Current Tax | 65.00 | 48.14 |
| Less : Deferred Tax | (49.61) | (29.77) |
| Profit After Tax | 558.33 | 392.43 |

5. Foreign investments or collaborations, if any:

A subsidiary company 'Chembond Solenis Water Technologies Limited' is formed in collaboration with Solenis B.V., Netherlands. The Company is also in a process of forming a JV company in collaboration with Calvatis group, Germany.

II. Information about the Director**1. Background details:**

Mr. Sameer V. Shah has been on the Board of Directors of the Company since 10th January, 2000. He had joined Chembond in 1992 after completing his education in chemical engineering and finance from the University of Texas and Texas State University and working for over six years in America. He is the Managing Director of the Company, appointed by members of the Company in their meeting held on 10th August, 2013. He is Promoter of the Company and he hails from the promoter family of Chembond Chemicals Limited.

2. Past remuneration:

| | |
|---------------------------|----------------|
| Salary & perquisites p.a. | ₹36,00,000/- * |
|---------------------------|----------------|

* Excluding perquisite, which shall not be included in the computation of the ceiling limits of remuneration.

3. Recognition or awards: Nil**4. Job profile and his suitability:**

Mr. Sameer V. Shah has held various managerial positions in the Company and having rich business experience and exposure to managing diverse businesses.

5. Remuneration Proposed:

| | |
|--|--------------|
| Basic Salary p.a. | ₹30,84,410/- |
| Perquisites & incentives p.a. (excluding exempted) | ₹50,88,395/- |

| | |
|-------------|--|
| Other Terms | The Board of Directors, which includes Nomination and Remuneration Committee, are empowered from time to time to consider upward revision of the remuneration with such components as they may deem fit, during the tenure of the Managing Director, which in no case shall be more than maximum sum of ₹ 84,00,000/- p.a. (Rupees Eighty Four Lac Only). Incentive not exceeding such percentage or lumpsum as may be decided by the Board or as mentioned in the Agreement may be paid. Annual increment is subject to overall ceiling limit of ₹ 84,00,000/- p.a. (Rupees Eighty Four Lac Only) prescribed above. |
|-------------|--|

6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and the person:

Considering the experience and knowledge of Mr. Sameer V. Shah and considering similar industries, he is entitled to higher remuneration than recommended by the Board at present.

7. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:

Mr. Sameer V. Shah directly holds 3,08,484 Equity Shares of the Company and being one of the promoters of the Company, holds 68.76% of the paid up capital indirectly. He is also related to Mr. Nirmal V. Shah, Vice Chairman & Managing Director. Except for the proposed remuneration as stated above, Mr. Sameer V. Shah does not have any other pecuniary relationship with the Company.

The agreement between Mr. Sameer V. Shah and the Company is available for inspection by the members of the Company at its Registered Office from 10.00 a.m. to 12.00 noon on any working day.

The Board recommends the relevant special resolution set out in the Notice Convening the meeting.

III. OTHER INFORMATION**1. Reason for loss or inadequate profits:**

Due to expansion of business, the Company has aggressively invested in a quality work-force, which will bring a positive trend over the coming years. The slower

growth of Indian as well as the global economy, increase in raw material costs are other factors impacting profits.

2. Steps taken or proposed to be taken for improvement:

The Company has strengthened its sales & marketing departments and more focus is given on Research & Development. Price increases are also being negotiated in a sustainable manner.

3. Expected increase in productivity and profits in measurable terms:

At this stage it is difficult to quantify the effect of the measures being taken by the Company to improve its financial performance, but as mentioned above, the Company's margins are impacted by the increase in commodity prices and overall inflationary trends in the market and the Company will put continuous efforts to recover from such adversities.

IV. DISCLOSURES

The Corporate Governance Report forms a part of the Annual Report for the year and remuneration package and other details of all the Directors have been disclosed therein.

Except Mr. Sameer V. Shah and his relatives no other Director, Key Managerial Personnel or their relatives are concerned or interested in the said resolution.

Item No. 10

The shareholders will recall the appointment of Mr. Nirmal V. Shah as Managing Director of the Company with effect from 1st August, 2013 for a period of 3 years i.e. upto 31st July, 2016 duly approved at the meeting of the shareholders held on 10th August, 2013.

The Company, during the year, has achieved remarkable growth in all divisions of the Company. As a Managing Director, Mr. Nirmal V. Shah's leadership has led to remarkable performance of all business units due to which the Company is looking forward to an exciting growth phase. There has also been a considerable increase in the duties and responsibilities performed by the Managing Director and after considering the prevailing managerial remuneration in industry, the Board of Directors at their meeting held on 21st May, 2015, on the recommendations made by the Nomination and Remuneration Committee, has approved the proposal to increase the remuneration of Mr. Nirmal V. Shah, Managing Director, with the following remuneration structure w.e.f. 1st April, 2015 for the remaining period of his tenure i.e., upto 31st July, 2016:-

| | |
|--|---|
| Basic Salary p.a. | ₹30,84,410/- |
| Perquisites & incentives p.a. (excluding exempted) | ₹50,88,395/- |
| Other Terms | The Board of Directors, which includes Nomination and Remuneration Committee, are empowered from time to time to consider upward revision of the remuneration with such components as they may deem fit, during the tenure of the Managing Director, which in no case shall be more than maximum sum of ₹84,00,000/- p.a. (Rupees Eighty Four Lac Only). Incentive not exceeding such percentage or lumpsum as may be decided by the Board or as mentioned in the Agreement may be paid. Annual increment is subject to overall ceiling limit of ₹ 84,00,000/- p.a. (Rupees Eighty Four Lac Only) prescribed above. |

(A) In case of adequate profits:

Not exceeding 5% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013 and payable by way of salary/ allowances/ other perquisites / benefits and/or commission, as determined by the Board which includes Nomination and Remuneration Committee from time to time.

(B) Minimum Remuneration in case of lack or inadequacy of profits:

Where in any financial year during the currency of the tenure of the Managing Director, we have Nil Profits or the Profits are inadequate, Managing Director shall be paid remuneration as under:

1. Remuneration payable not exceeding the limit prescribed under Section II, Part II of Schedule V of the Companies Act, 2013, based on the effective capital of the Company and in accordance with the approval of the Nomination and Remuneration Committee at the relevant point of time.
2. Contributions to Provident Fund, Superannuation Fund or Annuity Fund to the extent singly or put together are not taxable under the Income Tax Act, 1961;
3. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
4. Encashment of Leave at the end of the tenure.

(C) General:

1. The perquisites shall be valued in terms of the actual expenditure. However, where such actual expenditure cannot be ascertained, such perquisites shall be valued as per the Income Tax Rules.
2. Managing Director shall not be entitled to any sitting fees for attending the meetings of the Board or of the Committee(s) of which he is a Member.
3. Managing Director shall be subject to all other service conditions and employee benefit schemes, as applicable to any other employee of the Company.

As the terms for revision in remuneration proposed above are in conformity with the relevant provisions of the Companies Act, 2013, read with Schedule V to the said Act, the Central Government approval is not necessary for the above revision in remuneration.

In accordance with the provisions of Section V of Part II of Schedule V to the Companies Act, 2013, the total remuneration payable by the Company and M/s. Chembond Solenis Water Technologies Limited of which also Mr. Nirmal V. Shah is the Managing Director, shall not exceed the higher maximum limit permissible for any one of the Companies. Further, since the Company proposed to pass the said resolution by way of special resolution, therefore as per the first proviso of Section II of Part II of Schedule V the higher maximum permissible limit shall be ₹ 84 Lac.

A copy of the agreement containing the terms and conditions of reappointment of Mr. Nirmal V. Shah is available for inspection without any fee by the Members at the Registered Office of the Company during normal business hours on any working day upto and including the date of the Annual General Meeting.

Except for the aforesaid revision in remuneration, all other terms and conditions of his appointment as the Managing Director of the Company as approved earlier shall remain unchanged and agreement between the Company and Mr. Nirmal V. Shah stands altered automatically to give effect to this resolution.

INFORMATION AS PER SCHEDULE V OF THE COMPANIES ACT, 2013

I. GENERAL INFORMATION

1. Nature of Industry:

The Company is in the Speciality Chemical Industry and main objects of the Company are:

- A. To carry on all or any business of manufactures, dealers, or processors in the field pre-treatment of ferrous and non-ferrous metals for anti corrosive and paint adhesion purposes.

- B. To carry on all or any of the business of Chemical Engineers, Manufactures, dealers in chemicals and as investors, exploiters, of all types of processes in the field of chemicals and the pre-treatment or anticorrosive and paint and adhesion purposes of metals and metallic substances.

2. Date of Commencement of commercial production:

The Company commenced commercial production from 22nd March, 1975.

3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: NA

4. Financial performance (standalone):

| Particulars | 2014-15 (Audited) | 2013-14 (Audited) |
|---------------------|----------------------|----------------------|
| Net Revenue | 21,429.32 | 20,131.73 |
| Profit Before Tax | 573.72 | 410.80 |
| Less : Current Tax | 65.00 | 48.14 |
| Less : Deferred Tax | (49.61) | (29.77) |
| Profit After Tax | 558.33 | 392.43 |

5. Foreign investments or collaborations, if any :

A subsidiary company 'Chembond Solenis Water Technologies Limited' is formed in collaboration with Solenis B.V., Netherlands. The Company is also in a process of forming a JV company in collaboration with Calvatis group, Germany.

II. Information about the Director

1. Background details:

Mr. Nirmal V. Shah has been on the Board of Directors of the Company since 10th January, 2000. He is the Managing Director of the Company, appointed by members of the Company in their meeting held on 10th August, 2013. He is Promoter of the Company and he hails from the promoter family of Chembond Chemicals Limited.

2. Past remuneration:

| | |
|---------------------------|----------------|
| Salary & perquisites p.a. | ₹36,00,000/- * |
|---------------------------|----------------|

* Excluding perquisite, which shall not be included in the computation of the ceiling limits of remuneration.

3. Recognition or awards: Nil

4. Job profile and his suitability:

Mr. Nirmal V. Shah has over 21 years of experience and exposure to managing diverse businesses. He has been in charge of water treatment chemicals division for the past 14 years. His expertise is in organization management.

5. Remuneration Proposed:

| | |
|--|---|
| Basic Salary p.a. | ₹30,84,410/- |
| Perquisites & incentives p.a. (excluding exempted) | ₹50,88,395/- |
| Other Terms | The Board of Directors, which includes Nomination and Remuneration Committee, are empowered from time to time to consider upward revision of the remuneration with such components as they may deem fit, during the tenure of the Managing Director, which in no case shall be more than maximum sum of ₹84,00,000/- p.a. (Rupees Eighty Four Lac Only). Incentive not exceeding such percentage or lumpsum as may be decided by the Board or as mentioned in the Agreement may be paid. Annual increment is subject to overall ceiling limit of ₹ 84,00,000/- p.a. (Rupees Eighty Four Lac Only) prescribed above. |

6. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and the person:

Considering the experience and knowledge of Mr. Nirmal V. Shah and considering similar industries, he is entitled to higher remuneration than recommended by the Board at present.

7. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:

Mr. Nirmal V. Shah directly holds 3,14,565 Equity Shares of the Company and, being one of the promoters of the Company, holds 68.76% of the paid up capital indirectly. He is also related to Mr. Sameer V. Shah, Chairman & Managing Director. Except for the proposed remuneration as stated above, Mr. Nirmal V. Shah does not have any other pecuniary relationship with the Company.

The agreement between Mr. Nirmal V. Shah and the Company is available for inspection by the members of the Company at its Registered Office from 10.00 a.m. to 12.00 noon on any working day.

The Board recommends the relevant special resolution set out in the Notice Convening the meeting.

III. OTHER INFORMATION

1. Reason for loss or inadequate profits:

Due to expansion of business, the Company has aggressively invested in a quality work-force, which will bring a positive trend over the coming years. The slower growth of Indian as well as the global economy, increase in raw material costs are other factors impacting profits.

2. Steps taken or proposed to be taken for improvement:

The Company has strengthened its sales & marketing departments and more focus is given on Research & Development. Price increases are also being negotiated in a sustainable manner.

3. Expected increase in productivity and profits in measurable terms:

At this stage it is difficult to quantify the effect of the measures being taken by the Company to improve its financial performance, but as mentioned above, the Company's margins are impacted by the increase in commodity prices and overall inflationary trends in the market and the Company will put continuous efforts to recover from such adversities.

IV. DISCLOSURES

The Corporate Governance Report forms a part of the Annual Report for the year and remuneration package and other details of all the Directors have been disclosed therein.

Except Mr. Nirmal V. Shah and his relatives no other Director, Key Managerial Personnel or their relatives are concerned or interested in the said resolution.

By Order of the Board of Directors
of **Chembond Chemicals Limited**

Sameer V. Shah
Chairman & Managing Director

Mumbai, 21st May, 2015

REGISTERED OFFICE:
Chembond Centre,
EL-71, MIDC Mahape,
Navi Mumbai 400 710

Chembond Chemicals Limited

CIN:L24100MH1975PLC018235

Registered Office: Chembond Centre, EL-71, MIDC Mahape, Navi Mumbai 400 710

Corporate Identification No.: L24100MH1975PLC018235

Telephone :+91 22 3921 3000 Email :info@chembondindia.com Website :www.chembondindia.com

ATTENDANCE SLIP

(To be presented at the entrance duly signed)

Folio No./DPID & Client ID:

Name :

Address :

I hereby record my presence at the 40th ANNUAL GENERAL MEETING of the Company to be held on Saturday, 8th August, 2015 at 3.00 p.m. at Registered office of the Company, EL-37, Mahape, MIDC, Navi Mumbai 400 710.

Notes:

1. Shareholders/Proxy holders are requested to bring the attendance Slip with them when they come to the Meeting.
2. No attendance slip will be issued at the time of meeting.
3. Shareholders who come to attend the meeting are requested to bring their copies of the Annual Report with them, as spare copies will not be available at the meeting.

SIGNATURE OF THE ATTENDING MEMBER / PROXY: _____

Chembond Chemicals Limited

CIN:L24100MH1975PLC018235

Registered Office: Chembond Centre, EL-71, MIDC Mahape, Navi Mumbai 400 710

Corporate Identification No.: L24100MH1975PLC018235

Telephone :+91 22 3921 3000 Email :info@chembondindia.com Website :www.chembondindia.com

PROXY FORM

(To be presented at the entrance duly signed)

Name of the member(s) :

Registered address :

E-mail ID :

Folio No/Client ID :

DP ID :

I/We of being a member(s) of Chembond Chemicals Limited, hereby appoint:

1. Name :
Address :
E-mail Id :
Signature : or failing him
2. Name :
Address :
E-mail Id :
Signature : or failing him
3. Name :
Address :
E-mail Id :
Signature :

as my/our Proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 40th Annual General Meeting of the Company to be held on Saturday, the 8th August, 2015, at 03.00 pm at Chembond Centre, EL-37, MIDC Mahape, Navi Mumbai 400 710, and at any adjournment thereof in respect of such resolutions as are indicated below :

Signed this day of....., 2015

Signature of the shareholder : _____

Signature of Proxy holder(s) : _____

Affix
1/-
Revenue
Stamp

Signature across the stamp

- Notes :**
- 1 The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than FORTY EIGHT HOURS before the time for holding the aforesaid meeting.
 - 2 The Proxy need not be a member of the Company.
 - 3 Company Reserves the right to ask for identification of the proxy.

your one stop solution for strong and durable construction

We share our knowledge and grow with our customers. We are reliable partners and commit ourselves to our stakeholders. We are **Chembond**, and we are keen to serve you!



Tel. : +91 22 3921 3000 Email : info@chembondindia.com Website : www.chembondindia.com



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Chembond Chemicals Limited



Chembond Centre, EL-71, MIDC Mahape, Navi Mumbai - 400 710, India.

Tel. : +91 22 3921 3000 Email : info@chembondindia.com Website : www.chembondindia.com